

Nation's Business®

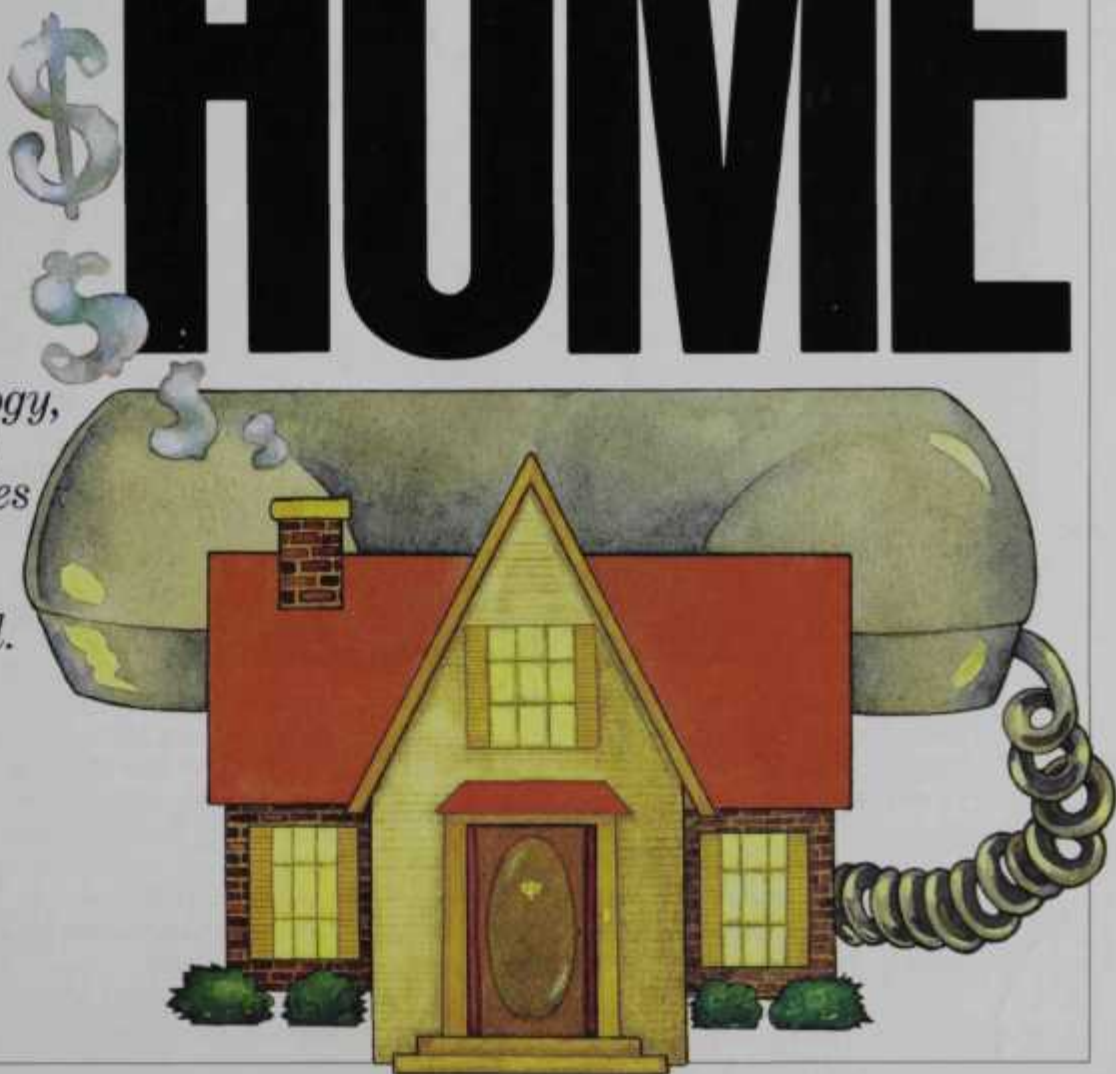
High Tech Drives
Changes In Trucks

Paying Fair In A
Family Business

What It Takes
To Own A Franchise

LOOK WHO'S WORKING AT HOME

*Thanks to technology,
entrepreneurs and
corporate employees
are finding that a
spare room is all
the office they need.*



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FEATURES



PHOTO: T. MICHAEL KEZA

Working at home works out well for Suzann and Peter Matthews. They manage commodities funds and use up-to-date technology to communicate with clients and colleagues. They also keep an eye on daughter Lucy. Cover Story, Page 20.



PHOTO: RICHARD DEK

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20 Look Who's Working At Home

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- 28—Where You Can Go Before Going Home
- 30—The Tax Questions

LESSONS OF LEADERSHIP

34 Temporary Assignment

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WOMEN IN BUSINESS

49 Leave Them Laughing

How to develop your humor on the podium and how to get ready for your career after motherhood are among the ideas and information offered this month to help women compete and succeed in the marketplace.

COMMUNICATIONS

62 No Detail Too Small

A well-run business meeting, one in which every detail is planned and managed carefully, can boost a company's profile—as well as its profits. Here are several tips from professionals on how to do it right.

BUSINESS COMPUTING

65 Fun, Figures, And Flat Filers

This compilation of quick bytes on the computer tells you what's new and useful about an increasingly essential business tool. It also invites questions from those who feel stumped.

PERSONNEL

68 Read This Article IMMEDIATELY

Occasional procrastination on relatively minor matters might have little effect on a business. But when deadlines are missed consistently and projects are unfinished or even abandoned, a company can lose opportunities, clients, and revenue. So don't put off reading this advice.

FAMILY BUSINESS

72 Fair Pay In Family Firms

Equality and fairness are not necessarily the same when it comes to compensating your relatives on your family firm's payroll. Too little or too much can breed resentment. Here are guidelines for families concerned about fairness in paying both family and nonfamily employees.

1990 FRANCHISE GUIDE

75 Four Paths To Franchising

Just who are the risk-takers who buy franchises? Meet some people who took the plunge and are glad they did. Their backgrounds are varied, but they share the common characteristics of tenacity and a strong belief in their abilities to succeed.

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Washington, D.C.

Editor's Note

DEPARTMENTS



PHOTO: ©RENE SHERET

Bill Melendez owns the studio that has made all the "Peanuts" TV specials. Making It, Page 16.

New Ideas About Work

When we asked Senior Editor Don Bacon to write this month's cover article, "Look Who's Working At Home," we were utilizing the experience and expertise of a work-at-home veteran. Bacon has built and worked from several home offices in his 25-year career as a journalist and author.

"While I've never been a full-time home worker, I've had an office at home for as long as I can remember," Bacon says.



Working at home, Senior Editor Don Bacon is the author of our cover story, "Look Who's Working At Home," and his avocation as a writer of fiction and biography.

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October

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Cover Illustration: Bobbi Tull

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Robert T. Gray
Editor

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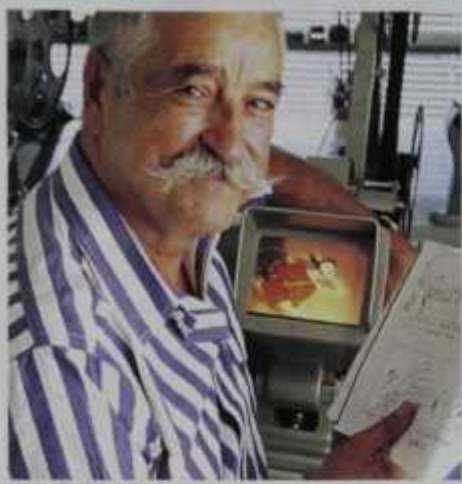


PHOTO: © JANE SHERET

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"While I've never been a full-time home worker, I've had an office at home for as long as I can remember," Bacon says.

In addition to his journalistic endeavors, Bacon pursues an avocation as a writer of biography and history. The paperback edition of his latest book, *Rayburn: A Biography*, which he co-authored with the late D.B. Hardeman, has just been published by Madison Books.

"Occasionally, I've had to work at home for extended periods in order to meet publishers' deadlines," Bacon says. "That experience taught me that working at home is not all roses. I liked the feeling of independence that comes from choosing your own work priorities and hours. But I missed the camaraderie and sense of belonging that you find in an office environment. In preparing this month's report, I heard home-based workers voice those same concerns over and over. Nearly everyone mentioned 'the isolation factor' as the major obstacle to their enjoyment of working at home."

"Obviously, there is a social as well as an economic side to the work-at-home phenomenon. We are just beginning to understand the many ramifications of the changes in attitude toward work that we now see."

The two major groups in the home-work trend—entrepreneurs who run businesses from home and employees who work at home under arrangements with their companies—find advantages and disadvantages in the practice. If you are one of those entrepreneurs or a manager who might face employee requests to work at home, this cover story is must reading for you. It spotlights one of the most significant developments in business today.



PHOTO: T. MICHAEL REZA

In his office at home, Senior Editor Don Bacon, author of our cover story, pursues his avocation as a writer of history and biography.

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Robert T. Gray
Robert T. Gray
Editor

Letters

Infrastructure Perspectives

Your cover story on "Our Crumbling Infrastructure" [August] was a thoughtful, informative piece that unfortunately suffered from an important omission. It failed to consider the one part of America's infrastructure that is not crumbling and that holds the key to the solution of many of the difficult problems explored: the nation's railroad system.

Certainly, this point of view is self-serving. But consider the following: The national railroad system now in place serves more than 40,000 communities, carried more than a trillion ton-miles of freight in 1988, and has the excess capacity to carry much more. Furthermore, the main lines are in good, high-performance condition, and any repairs will be accomplished with private funds. Railroads require perhaps one-fourth as much fuel to move a ton

of freight one mile as do trucks. All this means that current problems of congestion, safety, air pollution, and fuel consumption can be solved through greater use of rails. Railroads have not alleviated these problems, however, because of the subsidy to larger highway trucks, which gives the illusion of lower cost, and the encrustation of outdated laws that still hamper rail productivity.

The railroad industry is not asking for special favors. We seek not subsidy but the elimination of subsidy.

William H. Dempsey
President

Association of American Railroads
Washington, D.C.

I must take exception to the idea that increased use of toll roads is an effective way to deal with highway needs.

Considering the staffing requirements of the toll stations and the increased traffic congestion caused by them, not to mention the wasted fuel and increased air pollution resulting from the traffic tieups, I am convinced that the toll system is a most impractical, inefficient, and inconvenient way to raise funds.

G. Lane Keeter
Stamford, Conn.

Your comprehensive look at the nation's aging support system was well-

researched, well-written, and timely.

For years, many American businesses and industries have turned a deaf ear to cries for reinvestment in and reinvigoration of the nation's infrastructure, believing such an effort would only increase the costs of doing business.

But many are now realizing the astronomical costs of ignoring the problem. Delays in making improvements



PHOTO: KATHY ANDERSON

cost business big bucks, which ultimately have an impact on the bottom line.

William M. Wilkins
Executive Director
The Road Information Program
Washington, D.C.

"Our Crumbling Infrastructure" is the inevitable result of governments at all levels being overextended, overemployed, overbudgeted, and overinvolved in so many areas in which they shouldn't be concerned that they can't adequately take care of those in which they should be concerned.

Robert D. Helmholtz, D.D.S.
Fort Lauderdale, Fla.

In regard to highways, the article appeared to be concerned mainly with the symptoms and solutions advanced by those who profit from greater expenditures.

Research would have revealed that most of the highways and bridges needing repairs were designed for smaller and lighter truckloadings than are now permitted and that the volume of heavy truck rigs has been greatly increased because of favorable treatment by government at all levels.

Urchie B. Ellis
Attorney At Law
Richmond, Va.

Chocolate On Our Face

"Chocolate Faces" ["Marketing Maneuvers," July] states that St. Moritz Chocolatier "plans to start licensing the technology" for computerized cake decorating. The equipment cited was developed by our firm, Sweet Art Inc., and we are currently marketing it both nationally and internationally. St. Moritz Chocolatier is one of over 70 bakeries

using our system.

Amy Tobin
Customer Service
Director
Sweet Art Inc.
Kansas City, Mo.

Getting The Message Clear

Your article "Another Medium For The Message" [August] was of great interest to me because our company recently installed an up-market, name-brand voice-mail system, together with a new leading-brand PBX. Our experience

was considerably less upbeat than the case studies you reported, and it may be helpful to your readers.

We found that the key is to buy an "integrated" system. If the system you are considering is not integrated with your PBX, there will be severe limitations.

Steven Hess
President
The Saunders Group
Rochester, N.Y.

Don't Penalize Their Work

I agree wholeheartedly with Rep. J. Dennis Hastert, R-Ill., when he stated in your "Letters" column ["Retiring Income Limits For The Elderly," August] that senior citizens should be allowed to earn as much as they want without losing any of their Social Security benefits.

Social Security benefits are not on a par with the costs incurred by today's elderly.

These people worked hard all their lives, and they deserve a good life in their old age. Many senior citizens would be happy to work for minimum wage to boost their standard of living.

H.R. 2460, the Older Americans Freedom to Work Act, should be supported.
Cynthia Ferrante
Streamwood, Ill.

Employee Litigation

Your article on employee litigation ["See You In Court" August] was very timely. Our company has been a defendant in these types of cases, and as you point out, the cost to employers is a real burden that our foreign competitors do not have to carry. I hope that your article will generate a lot of interest and help persuade legislators to modify and clarify these discrimination laws.

Henrik Moe

President

DEC International Inc.

Madison, Wis.



PHOTO: © BRUCE BOWEN

An Accident Waiting To Happen

I found your September issue very informative. However, as a senior executive of a ladder company and president of the American Ladder Institute, I was unhappy with a photo in the article "Success By Surprise." Entrepreneur Rob Pepper is shown standing on the top step of a wood ladder and has left both spreaders unlocked—two very dangerous breaches of safety. This is an accident waiting to happen!

R. I. Werner

Senior Vice President

R.D. Werner Co. Inc.

Chicago

Song To An Unsung Hero

I enjoyed the "Family Business" section in the August issue. It's always nice to read how businessmen's wives make a contribution.

I own a candy company, and my husband is not only my right-hand man but he also has a full-time job.

In today's world, where more women are business professionals, their husbands are fast becoming unsung heroes. It's time to give the men their due.

Bonnie L. Miller

Bellows Falls, Vt.

Health Costs

In "Curbing The High Cost Of Health Care" [September], you incorrectly listed Mutual of Omaha as a major health-insurance carrier that had withdrawn from the group-health business.

The group-health-insurance line at Mutual of Omaha is alive and well. Mutual had group premium income of more than \$1 billion in 1988 and ranks as the eighth-largest group insurer in the U.S. At year's end in 1988, Mutual had more than 14,000 group policies in force and has no intention of exiting the true-group, small-group, or association-group markets.

Terry A. Calek

Second Vice President and Manager

of Public Relations

Mutual of Omaha

Omaha, Neb.

[Editor's Note: The erroneous information came from an otherwise reliable source, a health-care specialist with a major consulting firm. We are happy to correct the record.]

The article points out some real problems that we all face together. Most physicians are small-business men with employees who have to be insured and families that incur health-care costs.

Who is to blame for the increase in costs? Probably all of us.

Defensive medicine, increased liability costs, high costs of new technology, and inappropriate use of technology all bear some blame. But how about the overhead costs of the review and second-guess programs implemented in the last 10 years? I have long suspected that a large portion of the annual increase in health-care costs goes totally to new administrative overhead.

M. Frederick Steart, M.D.

Culpeper, Va.

[Editor's Note: The following letter refers to a statement in the article that it is doubtful that many Americans would accept a tax-financed, national health-care system like Canada's.]

I for one would accept that system in a minute! Only the very poor and the very rich get health care in the United States. Those of us in the middle class go wanting.

Any kind and any amount of health care we could get from the government would be more than what we're getting now, which is zero. And if the government raised taxes, the amount would be considerably lower than what we pay now in insurance premiums, deductibles, and other direct charges.

Gloria Gutierrez, Jr.

San Antonio, Texas

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CHILD CARE

A Center Of Quality

Controversy over care of children of the nation's working parents focuses mainly on how extensively the federal government should subsidize the clients and regulate the providers of day-care services.

Experts in the field, however, say that more attention should be paid to the availability of care.

To that end, the U.S. Small Business Administration and the office of Sen. Rudy Boschwitz, R-Minn., have teamed up to produce a book on the subject, *Quality Child Care Makes Good Business Sense*.

The book is a guide to opening and operating a child-care center. It is designed as a practical, step-by-step manual for establishing a center in a specific geographic area. The book contains guidelines for identifying the need for child care in communities, certain criteria that may determine success or failure, and concrete business considerations. Among those considerations are tax laws, insurance (liability insurance seems to be the greatest obstacle for those who would provide child care), management, marketing, and program planning, including an overview of a curriculum for early-childhood education.

Boschwitz and the SBA want the book to stimulate more private-sector initiatives for better child care. "I view the child-care provider as the ultimate entrepreneur," Boschwitz said.

"This book will be of great assistance



PHOTO: © RICHARD BACH—FOLIO INC.

Practical guidelines for operating child-care centers are set forth in a book aimed at stimulating private-sector initiatives in the field.

to those folks interested in establishing a child-care facility," he continued.

Susan Engeleiter, administrator of the SBA, said she thinks the book will help small-business people do what they do best: respond to market needs.

For copies of *Quality Child Care Makes Good Business Sense*, send \$2 to SBA Publications, P.O. Box 30, Denver, Colo. 80201-0030.

RETAILING

The Shape Of 1990: A New Projection

Small retailers striving to remain competitive in the new year may want to heed the projections of a new study on the retailing industry from the Harris Bank in Chicago.

The study focuses on topics such as demographics, the labor force, pricing concerns, and acquisitions.

Among the study's forecasts:

- Retailers will dedicate more resources to training all employees not only about merchandise but also about the significance of quality service.

- Wage levels will increase. This, combined with the expected rise in training costs and increased levels of health-care expenditures, will bring about a substantial rise in employment costs for retailers.

- The current shortage of entry-level employees will continue to grow because of the decreasing number of people in the 18-to-24 age group.

A possible solution to this problem, according to the study, is the growing employment of retirees as part-time workers.

Older workers are proving to be a boon to retailers' efforts to improve customer service.

- The use of state-of-the-art technology will gain increased importance among retailers, because such technology is the key to maintaining high levels of customer service and controlling costs.

- Vertically integrated merchandisers will continue to shift manufacturing operations to Asian countries now in the early stages of industrialization. Substantial cost savings should be realized because of the labor-intensive nature of such manufacturing operations and the lower labor costs in these countries.

- In the future, acquisition activity will not be limited to domestic companies.

More retailers will look to the Far East, Canada, and Europe for buying opportunities.

The study is based on extensive research of the retailing industry, including an in-depth review of the financial performance of 55 retailing concerns last year.

HEALTH CARE

Putting The Brakes On Costs

Two years of double-digit percentages of increases in health-insurance premiums have sent employers scrambling for ways to cut costs. Raising the deductible amount that employees must pay before insurance kicks in can help, but it's unpopular with workers.

There is a way, however, to raise the deductible rate without having your employees raise the roof. Offer to pay a portion—say 70 percent—of the difference between the old deductible and the new higher one, say several insurance experts. For example, if you raise your deductible for an individual from \$100

to \$500, you would pay 70 percent of the \$400 difference, or \$280, and your insurance company in most cases will lower your premium enough to offset your potential payments for subsidizing higher employee deductibles.

Lance D. Tane, a health-care consultant in New York with the Wyatt Co., says small companies should consider going to a \$1,000 deductible, with the employer covering a large percentage of that. The higher the deductible—no matter who pays it—the lower the premium. In general, says Tane, "It's going to cost more to buy [commercial] insurance to cover risks than to pay for some of those risks out of pocket."

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ECONOMIC OUTLOOK

The Hazards Of Low-Altitude Flying

The nation's economy is expected to grow slowly during the rest of 1989, says William K. MacReynolds, director of the Forecasting Section of the U.S. Chamber of Commerce. Fourth-quarter gross national product (GNP) will advance a slight 1.9 percent over the same period last year, he says.

This slower rate of GNP growth is about the pace that the Federal Reserve is aiming for through its efforts to restrict money-supply growth. But such a policy poses serious long-term dangers for the economy, MacReynolds warns. "In the past, when the U.S. has decelerated from a higher rate of growth to the 1.5- to 2-percent range, further declines in growth have taken place. This current slowing, or 'low-alti-

tude flying,' usually is followed by a year of negative growth," he says.

The economy's general trend is toward a growth rate of 3 to 3.5 percent. Since the end of the recession in late 1982, real GNP growth has fluctuated around a growth path of 3.8 percent, slightly above the post-World War II average of 3.3 percent.

Some forecasters are anticipating a soft economic landing—reduced growth without recession. But MacReynolds says that "Attempts to sustain low-altitude flying usually end in a crash."

Richard Darman, director of the Office of Management and Budget, shares the concern that restrictive Fed policies threaten to bring on a recession.

"If we do have a recession," Darman said in a "Meet the Press" television interview, "I think it will be because

[the Federal Reserve Board] erred on the side of caution." He urged Federal Reserve Chairman Alan Greenspan and others at the central bank to "be more attentive to the need to avoid tipping the economy into a recession."

The economy is fairly strong, MacReynolds says, and he remains optimistic that the central bank will begin to allow rates to decline.

THIS MONTH'S NB TIP

Guide On AIDS

✓ *AIDS Education: A Business Guide* is available from the National AIDS Information Clearinghouse. The guide contains background and information on AIDS in the workplace. Single copies are free; bulk orders may be arranged for a nominal charge. Call toll-free: 1-800-342-AIDS.

GOVERNMENT CONTRACTING

Simplifying Procurement

A group of procurement experts has created an organization that helps small businesses with the often-cumbersome details of fulfilling government contracts. Government Procurement Assistance Center Inc. (GPA) functions as a clearinghouse of infor-

mation that small businesses normally cannot afford to obtain individually.

Gaining access to bids, regulations, and technical specifications can prove prohibitively expensive for small businesses if they obtain the information from large consulting firms.

GPA was formed to serve smaller contractors, says Robert W. Michel, the

firm's vice president for marketing.

Coincidentally, Secretary of Defense Richard Cheney announced a plan in early July to streamline the procurement process. "Cheney's plan will parallel our function very well," Michel says, especially in areas where discouraging complexities were accepted as the nature of the process. Michel says that, like Cheney's plan, GPA will consolidate more detailed parts of the contracting process and seek to encourage wider participation by small firms.

For more information, write GPA at 1426 Davis Ford Road, Woodbridge, Va. 22192, or call (703) 643-1072.

INTERNATIONAL TRADE

Learn About Canada From The BOSS

The Canadian government is providing free, easily accessible market research to U.S. firms that want to begin doing business north of the border.

The Business Opportunities Sourcing System (BOSS) is a data bank of Canadian manufacturers' vital statistics, including names; addresses; telephone, fax, and telex numbers; key executives; products and services; sales volumes; export-import volumes; research and development expenditures; and numbers of employees.

Similar facts are available for Canadian trading companies, freight forwarders, consultants, and other trade-related businesses.

All the information, which is updated at least every six months, can be imported to a personal computer in your office via modem.

For further information on the BOSS, contact the Department of Regional Industrial Expansion, 235 Queen St., Ottawa, Ontario K1A 0H5; 613/954-5031. **IB**

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Dateline: Washington

What's happening in the corridors of power that will affect your business.

By Donald C. Bacon

DRUGS IN THE WORKPLACE

Bush Urges Business To Act Against Drugs

A call for business to adopt stringent anti-drug policies, including wider testing and bans on drugs in the workplace, is part of President Bush's national drug-control strategy.

The workplace, he said, is among those sectors that "must adopt tough but fair policies about drug use."

In a follow-up report to Congress after the televised report to the nation on his anti-drug program, the president said that his administration will encourage employers to:

- Develop and communicate to all employees a clear anti-drug policy;
- Establish means, including testing where appropriate, to identify drug-using employees and assist them in seeking treatment;
- Train supervisors in identifying and dealing with drug-using employees;
- Educate employees about the company's plan for achieving a drug-free workplace.

The recommendations are part of the administration's sweeping \$7.9-billion anti-drug campaign, which includes requests for additional funds for law enforcement, prisons, education, drug treatment, and assistance to help Latin American governments combat drug producers and distributors.

The proposed policy, Bush said, reflects "the coordinated, cooperative commitment of all federal agencies."



PHOTO: RICK FRIEDMAN—BLACK STAR

Tougher enforcement is central to the president's anti-drug plan.

EMPLOYEE BENEFITS

Treasury Wants Firms To Offer "Flex" Loans

Employers who maintain accounts to help workers reduce costs of uninsured medical expenses will have to extend what amount to interest-free loans to cover individual overdrafts, under a Treasury Department proposal scheduled to take effect Jan. 1.

The Treasury's plan covers health-care flexible-spending accounts, which are fed by tax-free deductions from employee paychecks. Workers draw on the accounts to cover uninsured medical expenses. Amounts withdrawn are now limited to deposits.

But the Treasury's proposal would require employers to make available for reimbursement at any time during the year a full year's contribution to a flexible-spending account—minus any amount already paid out.

Employers worry that there is no guarantee that they would recoup the balance if an employee quit.

Ken Feltman, executive director of the Employee Council on Flexible Compensation, which represents companies with cafeteria benefit plans, says the proposal would hit small firms hardest.

Their plans usually aren't rich enough to offset deficits in individual accounts, he explained, and they may have to tap regular cash flow.

Rostenkowski Concedes On Section 89

Rep. Dan Rostenkowski, D-Ill., chairman of the House Ways and Means Committee, has dropped his longstanding opposition to repeal of Section 89, the controversial employee-benefits law that employers maintain is unworkable.

Though more than 300 House members had declared support for repeal, Rostenkowski almost singlehandedly blocked efforts to kill the law, part of the 1986 Tax Reform Act. In his brief announcement, he did not explain why he had changed his mind. His action significantly brightened prospects for repeal. Said Lisa Sprague, manager of employee-benefits issues for the U.S. Chamber of Commerce: "We are delighted that the chairman has taken this major step down the road to repeal of Section 89."

TRADE

Heinz Seeks A New Agency To Screen Exports

Sen. John Heinz, R-Pa., is drafting legislation designed to help U.S. exporters take advantage of business opportunities in the Soviet Union and Warsaw Pact nations. The bill would establish a Cabinet-level office to administer the Export Administration Act and the Arms Export Control Act, two laws that restrict export of technologies with potential military applications. Jurisdiction over the statutes now is divided among offices in the Commerce, Defense, and State departments.

One key branch of Heinz's proposed Office of Strategic Trade and Technology would advise the president on how national-security considerations should affect economic-policy decisions. Another would create an advisory committee of private-sector trade experts to help decide what items should be restricted for export.



PHOTO: KEN TOUCHTON—FOCUS INC.

Exporting technology could become easier through legislative changes.

GOVERNMENT FINANCE

Estate-Freeze Battle Shifts To Senate Panel

The business drive to restore the estate-freeze tax procedure centers on the Senate Finance Committee.

Business wants repeal of tax code Section 2036(c) barring the freezing of a business's value to reduce taxes due on its transfer.

The effort shifted to the Senate panel after the House tax-writing committee failed to respond.

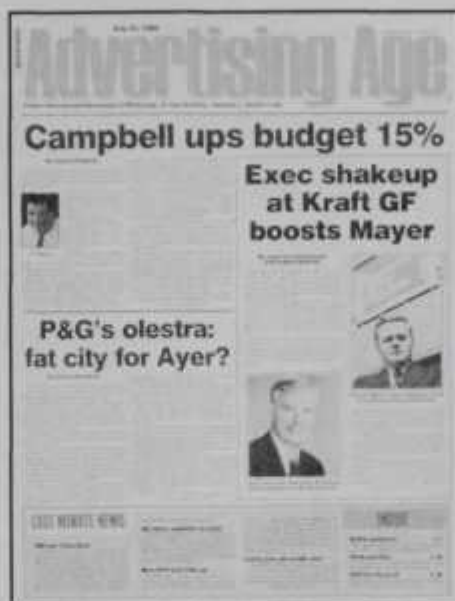
The prohibition, says the U.S. Chamber of Commerce, "can make it very difficult" for a family business to survive estate taxes. **MB**

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Make Room For The Children

By Nancy Thomas-Cote



Our growing company has been in business for 18 years, producing and marketing indicator tags designed to make businesses' recordkeeping more efficient (Medi-Tags for hospitals, Redi-Tags for general office purposes). The firm, Barbara Thomas Enterprises Inc., in Huntington Beach, Calif., was founded by my mother, Barbara J. Thomas, who developed the color-coded tags while she was director of medical records for a hospital. She now is chairman of the board of our company, and I have been president since last year. The company has 15 full-time employees, 10 of whom are women.

In September 1988 and January 1989, two of those valuable women employees left the company because of child-care difficulties. One of the women lived an hour away from the company, and family members were taking care of her child while she worked. She found that the time she spent commuting added too much to her time away from her child, so she got a job closer to her home. The second woman, anxious about day care for her newborn second child, felt day-care costs for both children would outweigh the benefits of her salary.

After the first woman left, I started to think about her and the other good employees who had quit over the years for similar reasons. I believed that we would have kept them if we had had an on-site day-care center. The woman who commuted two hours, for example, could have spent that time with her child.

As a woman, I may be more sensitive to the day-care issue than most male executives are. Many male executives are less concerned about this problem because their salaries enable their wives to stay home to take care of the children. A mother who works outside the home typically does so out of economic need.

Working mothers are not a passing trend. They make up the future of the work force. If employers want to keep employees, I thought, they must do something about day care. So I decided to practice what I preach. In the fall of 1988, I began my research into the possibility of an on-site day-care center for our company.

An average business person might think that with 15 employees, we can't afford an on-site day-care center. But I think we may not be able to afford *not* to have one.

I first talked to my insurance agent to see if the liability insurance would price the idea out of reach. The agent told me that for up to seven children, the annual premium would be approximately \$2,500. That didn't seem too ex-

pensive. My insurance agent recommended a local day-care consultant, who laid out the details.

Under California law, I learned, for two infants and four toddlers in an on-site day-care center, we would need two care givers. Our company would not have to accommodate that many children right away, so I spoke with nearby companies about whether some of their employees might be interested in placing their children in a day-care center on our premises for a time—at least a year. Many companies jumped at the chance to offer their employees close-by day care.

My plan was to convert my office into the day-care center and build a new office for myself within our oversized lobby. Moreover, just outside the office where the day-care center would be installed was a grassy area that was the right size for an outdoor play space, as required by state law. We would have to build a fence to separate it

from the parking lot, and we would buy play equipment for the children.

Of course, we also would have to equip the day-care center with cots, cupboards, books, bookshelves, tables, chairs, cribs, and other items. The estimate for the indoor and outdoor equipment was \$10,000 to \$12,000. The remodeling estimate was \$20,000. The major portion of the remodeling expense would be for installation of plumbing for a toilet and a sink.

I estimated the annual cost per child, not including the remodeling or equipment costs, would be \$5,000 for each infant and \$4,125 for each

toddler. The average day-care fee in this area was \$3,120 per infant and \$2,600 per toddler. I had always known that the company would have to subsidize the cost, based on the total family income of the employees, but these figures were coming out higher than I expected. I decided to re-examine the idea.

But our landlord quickly changed my plans. He said we could not build the day-care center for liability reasons. Across the parking lot from where the children would be playing outdoors is a testing laboratory that is licensed to handle toxic chemicals. The laboratory was concerned that it might be held liable if a parent blamed a child's illness on the lab's proximity to the outdoor area.

So it was an unexpected type of liability problem that killed our on-site center. My management team and I still feel that a nearby day-care center is a good idea, so we are thinking of renting a house that would be only two or three minutes' drive away.

I am still disappointed that we can't have the on-site center. My employees and I felt that it would be a fantastic boost for morale and productivity if the parents here could take part in it. Our off-site day-care center will be great, but second-best.

We hope that someday we'll have our day-care center under our own roof. ■

Mothers make up the future of the work force. If employers want to keep employees, I thought, they must do something about day care. So I decided to practice what I preach.

Nancy Thomas-Cote is president of Barbara Thomas Enterprises Inc., in Huntington Beach, Calif.

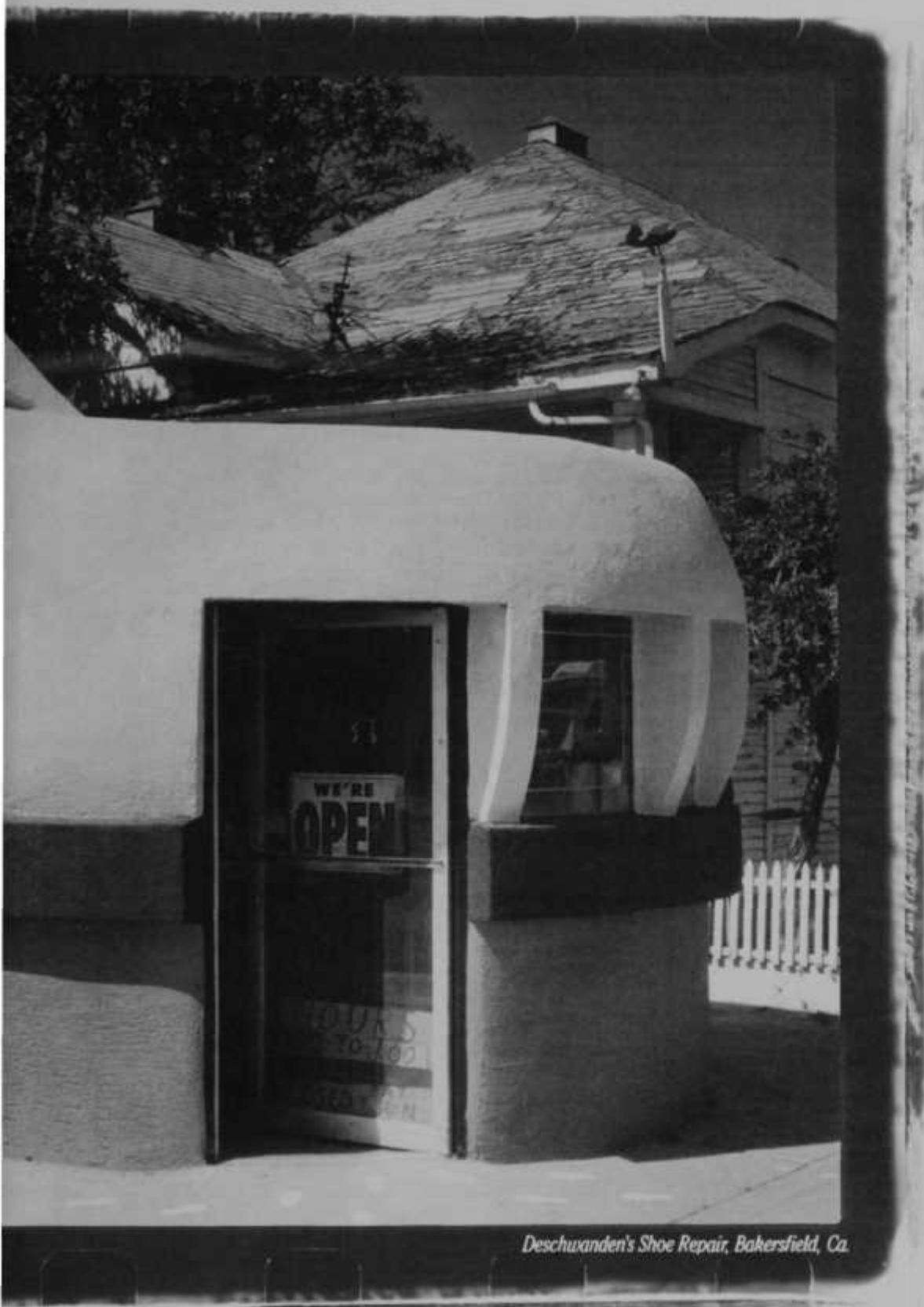
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Making It

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He's A Howling Success At Bringing Comics To Life

Bill Melendez may be the only person in Hollywood who had to join the Screen Actors Guild, not because he spoke lines in a motion picture, but because he barked and howled them.

Melendez is not an actor. For the past quarter century, he has owned Bill Melendez Productions, an animation studio that has made all 4 dozen of the "Peanuts" television specials.

Melendez first put the "Peanuts" characters on film even before he had his own studio, in TV commercials for Ford in the late '50s.

Charles M. Schulz, the creator of the "Peanuts" comic strip, briefly considered giving Snoopy a voice in those commercials. "We actually made some tests of some Hollywood actors imitating what they thought Snoopy's thoughts might sound like," Schulz recalls, but eventually he decided that

Snoopy should not talk, but only bark. Melendez, who was directing the commercials, started looking for an actor who could bark convincingly. He barked into the microphone himself, so he would have something on tape to show what he wanted. "My [sound] editor said, 'These are good enough, just put 'em in, who cares?' Just barks and howls and hoots and moans. I said, 'OK, use 'em.'"

For years, all went well—until Melendez let himself be talked into giving himself screen credit for his barking on the specials. Then the Guild spoke up, and now, Melendez laments, "I've got to pay dues."

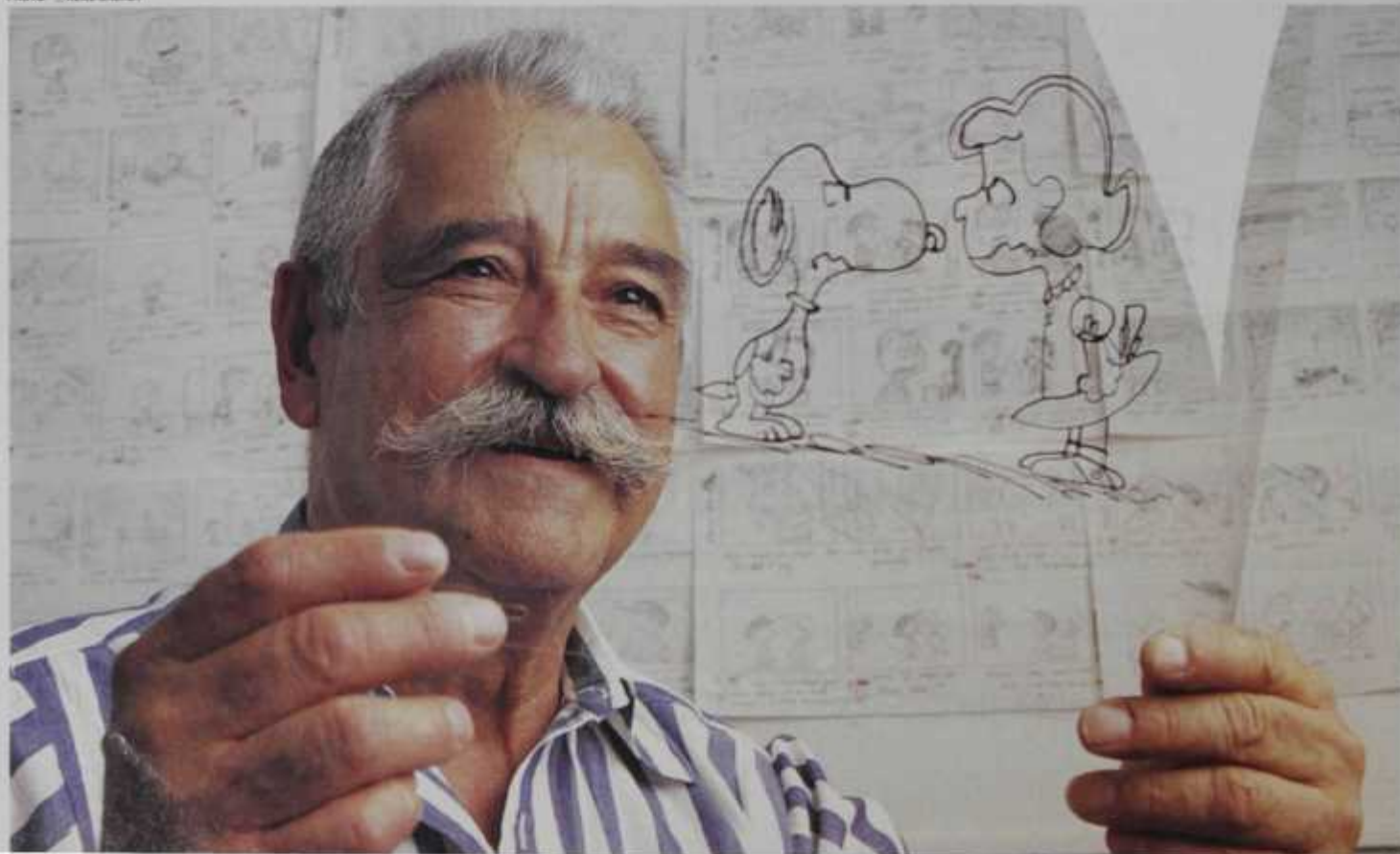
Bill Melendez inspects one of the "cells" he uses to bring "Peanuts" to life in TV specials. A storyboard fills the wall behind him.

Melendez's studio is a rarity among the American studios that produce animation for television. In recent years, most of those studios have shipped more and more work overseas, to studios in Japan, Korea, Taiwan, Australia, and Poland. But at Melendez Productions, none of the work goes out of the country.

The owner himself is, however, an imported ingredient. He was born almost 73 years ago in Hermosillo, Mexico, as José Cuauhtemoc Melendez. His father, a general in the Mexican army, "was a romantic, I guess, and so he gave all his kids Aztec names," Melendez says. His mother took her four children to Arizona to escape turmoil in Mexico, and Melendez eventually wound up in art school in Los Angeles.

He got his first job in animation 51 years ago, when he went to work as a messenger at the Walt Disney studio.

PHOTO © RENE ZHURET





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— Mario Andretti



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MAKING IT

There, he says, his co-workers gave up quickly on his imposing Aztec name: "They said, 'What kind of name is this? You're going to hog the credits. We'll call you Bill.'"

Melendez worked his way up, becoming an animator at Warner Bros. in the early '40s and then a director for John Sutherland Productions, which made industrial films, in the '50s. In the late '50s, he directed and produced TV commercials for Playhouse Pictures.

He recalls that when Playhouse was being considered to make the Ford commercials with the "Peanuts" characters, he had to "audition" for Schulz—"Schulz told me later, 'I didn't want those Hollywood types taking my characters over.'" Fortunately, Melendez says, "we hit it off right away."

A few years later, a young TV producer named Lee Mendelson talked Schulz into letting him make a 30-minute documentary about a day in Schulz's life. Mendelson wanted to have the characters come to life in animation at one point in the film, as Schulz drew the comic strip. Schulz agreed, but he insisted that the job go to Melendez.

In 1965, the year after Melendez opened his own TV-commercial studio in a converted residence south of Hollywood, Schulz, Mendelson, and Melendez got together again, to make a "Peanuts" Christmas special. "We had a terrible time getting air time," Melendez recalls. "All the networks turned us down." But Mendelson finally wangled 30 minutes on CBS. "A Charlie Brown Christmas" pulled down huge ratings and has been a holiday staple ever since.

"Our shows are very difficult to do," Schulz says, "and I don't think Bill is given the credit most of the time for overcoming all of the difficulties, because these little characters act almost real, in the things that they do; they don't do many cartoon things."

Even though the "Peanuts" specials are the backbone of his company's output, Melendez has turned out many other films over the years. He and Mendelson have put together TV specials based on the "Garfield" and "Cathy" comic strips, and the studio has turned out more than a dozen other specials, countless commercials, and even a few feature films. His revenues typically run more than \$1 million a year, Melendez says; he employs around 30 people.

Animating "Peanuts" and "Cathy" hasn't sated Melendez's appetite for comic strips. He longs to put "Calvin and Hobbes" on the screen, but he hasn't been able to talk Bill Watterson, its creator, into letting him do it.

—Michael Barrier

Endangered Species

For many New York restaurant owners, these are the worst of times to be serving the best of food.

Lello Arpaia's case is typical. Arpaia, who owns two Italian restaurants in Manhattan and a third on Long Island, saw the volume at his flagship restaurant, Scarlatti, drop by almost one-third after the stock market's record plunge in 1987. Every afternoon, he says, "my bar was full of brokers, and deals were being made, and then they ate." That business "disappeared overnight." The 1986 Tax Reform Act limiting deductions for meals and entertainment hasn't helped either.

Scarlatti sits in midtown Manhattan, on East 52nd Street between Park and Madison Avenues. In this center of money and power (where Arpaia pays rent of \$31,000 a month for his 240-seat establishment), Scarlatti offers a predominantly North Italian cuisine, prepared with great delicacy and flair. The surroundings are elegant, the service gracious, and the prices high. Dinner for two can run to \$200 or more.

Arpaia speaks scornfully of "all these fashionable restaurants that are

almost as expensive as I am, but you don't get any professionalism in service and food. I resent that." But in today's climate, such restaurants may thrive at the expense of others that uphold classical standards.

Scarlatti is trimming its sails only by offering special dishes "that are lower cost to me," Arpaia says, "so I can pass the lower cost on to the customers."

Arpaia is saving money in other ways. Scarlatti's elegant decor is largely the work of his own hands, and now he keeps the place up himself. He "doesn't call an air-conditioning man, doesn't call an electrician. I come here weekends to do cleaning and washing and refurbishing and painting."

Even more important, perhaps, he brings to Scarlatti the energy and devotion that all entrepreneurs bring to living out their dreams.

Arpaia, 48, came to the U.S. from his native Naples in 1960, ostensibly to study accounting, but actually to "make my future" in the restaurant business. He was not impressed by what passed for Italian restaurants then. "My dream was always to open a place that would do justice to the Italian tradition, Italian food, and Italian culture."

He worked as a busboy, a waiter, and a maitre d' at Manhattan restaurants; then he decided he would open a fast-food chain, "because one day maybe I can make a lot of money and I don't have to be there 16 hours a day." He worked in a coffee shop for six months to train himself, but decided "I could not be running coffee shops." The lure of serving good Italian food was too strong; he opened an Italian restaurant on Long Island in 1970.

His second restaurant, Lello, on East 54th Street, followed in 1980, and Scarlatti in 1985. Arpaia spends almost all his time at Scarlatti now, supervising the kitchen as its "executive chef": "I'm the engineer; I tell [the cook] how I want my food to be."

Some restaurants in Scarlatti's class have responded to their straitened circumstances by becoming modest establishments with relatively inexpensive menus. Arpaia rejects that path:

"I think there will always be people who appreciate the luxury of the restaurant along with the good food—what I call the total experience." A handful of restaurants like his will survive, he thinks, "but we are too many now."

In its battle for survival, Scarlatti will enjoy the great asset of Arpaia's own determination. "When you're motivated," he says, "you always find a way."

—Michael Barrier



PHOTO: © ARNOLD ADLER

When Lello Arpaia opened his elegant Scarlatti restaurant in New York, he brought a dream to life. Now he's fighting to keep it alive.

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COVER STORY

Look Who's Working At Home

By Donald C. Bacon

Peter and Suzann Matthews typify a potent new force sweeping the American labor market. They—and millions like them—have exchanged the tiring commutes and other daily hassles of 9-to-5 office work for a business of their own, operated in the comfort of home.

Peter, a statistician, used to don coat and tie each day and drive from his McLean, Va., residence through heavy traffic to a distant office. Now, he and his wife stay home to manage commodities funds for other investors. He wears what he pleases, he says, and "best of all, I have time to think."

A home-based business in the volatile field of commodities trading would have seemed unlikely a few years ago. But now, because of advances in telephone, computer, facsimile, and other technologies, the Matthews can gather and analyze fast-breaking commodities news at home and communicate instantly with their business partners in conventional offices in New York and with clients around the world.

Today almost everyone knows somebody like the Matthews—people who make a good living working at least some of the time at home, either for themselves or for an employer. It wasn't always that way.

"Fifteen years ago, if you said you worked from home, people thought it was because you couldn't get a job," says Dorothy Denton, executive director of the American Home Business Association, in Darien, Conn. "There's no stigma any more because so many people are doing it." Denton's organization of home-based workers has been "growing like Topsy," she reports.

Adds Gil Gordon, an employment consultant who works from his home, in Monmouth Junction, N.J.: "People have been working at home for years, but



Executive advantages but no dress codes or commuting: Suzann and Peter Matthews manage commodities funds at home, with daughter Lucy close by.

PHOTO: T. MICHAEL KEZA

A growing number of Americans work at home either on their own or for an employer. The increased use of computers and other electronic devices enables work to be performed as quickly and professionally at home as in an office.



because of zoning restrictions and because it wasn't considered quite legitimate, they didn't talk about it. Now they've come out of the closet. Today, home-based work is seen as an attractive option among people who are tired of daily traffic and office pressures and just want more control over their lives."

An estimated 26.6 million Americans—23 percent of the total labor force—are engaged in job-related work at home at least part of the time, according to LINK Resources Corp., a New York-based market-research firm, which has been tracking work-at-home trends since 1986. The figure includes the self-employed, salaried corporate employees who work at home on or off company time, contract workers, and free-lancers. Some 60 percent are white-collar workers.

LINK reports that in 1988 alone, 4.2 million Americans started working at home for the first time, up sharply from 2.4 million in 1987. After subtracting those who gave up home-based work, mostly to take outside jobs, the home-based labor force grew by 1.7 million in 1988, compared with 1.6 million in 1987.

The research firm, which randomly surveys some 2,500 U.S. households each year, estimates that the work-at-home segment has been expanding by 7 percent to 9 percent a year since 1987 and that it will continue to grow at roughly that rate, encompassing some 31 million people by 1992.

What's behind the rush for working at home? Experts trace the phenomenon to several interacting developments:

- The unusually large numbers of individuals in their late 20s and 30s, the age at which many people begin thinking about establishing families and pursuing their own business interests. Most have the degree of job experience usually needed to succeed as a home worker.

- Women, having expanded their



ranks in the job market in recent years, are dropping out in increasing numbers to have babies and care for their families. For some women, working at home is a way to have both a career and a family. Studies show that women now account for 70 percent of all home-based sole proprietorships.

- The entrepreneurial boom of the 1980s has given rise to more small businesses, which often look initially to home-based workers as a means of filling employment needs while saving on office space and other overhead costs.

- Contributing substantially to the work-at-home trend is the wide availability of low-cost, easily operated electronic devices that, for the first time, have allowed work to be performed as fast and professionally at home as in a fully equipped office. Chief among such devices are personal computers, print-

Telecommuters are corporate employees or contractors who, in lieu of commuting to a work site, perform company tasks from their homes on company time. A true telecommuter, by strict definition, uses electronic means to transfer work between home and office. Some experts apply the term more broadly to cover any worker who uses the home as an extension of the employer's workplace on the employer's time.

Many home-based workers are self-employed; traditionally, they mainly have been specialists such as artists, artisans, writers, and others whose occupations required working alone. Medical doctors, sales representatives, contractors, and tradespeople also have a long history of working from home. To-

home, where she advises executives on stress management.

Half of all people currently working from home, surveys indicate, are in professional or managerial occupations, typically performing part of their work at home and spending the rest of their time in an office. An additional 33 percent are in sales, technical, or administrative fields, and 7 percent are in precision production or repair fields. The rest are in various occupations, including services and manual labor.

"Today we have a new kind of entrepreneur, who really isn't an entrepreneur, working at home," says Paul Edwards, a lawyer, former corporate executive, and onetime political adviser who chucked it all in 1976 to open a home-based consulting business in San-



PHOTO: © JIM MENDENHALL

ers, facsimile machines, and modems for transferring electronic data by telephone.

"The phenomenal growth of interest in working at home is clearly related to the computer and fax trends," concludes Thomas E. Miller, director of LINK's home-office research program. "But baby-boom demographics and new lifestyles play a huge role."

Consultant Gordon recognized the work-at-home trend a few years back and carved out a niche for himself as a specialist in "telecommuting," a new term used to describe a relatively small but fast-growing segment of the home-based work force.

News broadcasts are among the diverse enterprises that Sarah and Paul Edwards operate from their Santa Monica, Calif., home.

day, however, the range of home-based occupations is virtually limitless.

For instance, Teri Ross of Minnetonka, Minn., designs sportswear at home. Christopher C. Hildreth of Kentfield, Calif., produces organic wine at his home vineyard while continuing to serve as an officer in a stock-brokerage firm. And Dr. Karen L. Scruggs of New York City is a former public-health official who now works from

ta Monica, Calif. He followed his wife, Sarah, a former clinical social worker, who was already in business as a home-based psychotherapist.

Paul Edwards, whose varied activities include running a home-business forum for subscribers on CompuServe, an online data service, has just finished a survey of home-based businesses for *Home Office Computing*, a new magazine for home-based workers. He concludes:

"Tens of thousands of home businesses are being started by people who are simply creating a job for themselves that they cannot find or did not choose to find in a company setting."



Many aren't finding gratification at a certain stage in life. Some are looking for more autonomy or are being squeezed out by mergers and acquisitions. They are not the classic entrepreneur who goes into a business with the idea that the business will grow and that they will prosper and perhaps become rich."

That description does not fit Paul and Sarah Edwards, who have parlayed their experience as home-based business operators into a lucrative, multifaceted information service. Their book, *Working from Home*, has become a standard reference tool for people who live and work under the same roof. In addition, Paul writes and lectures on the subject while Sarah spends much of her time producing a Los Angeles radio program devoted to "positive news." They co-host the program each week-

day afternoon, broadcasting from their home studio. They also co-host a weekly radio program on working at home, on the Business News Network.

Who are the prime candidates for working at home?

The average home worker, studies show, is 39 years old and is part of a dual-career household with a total household income of around \$42,000. Fifty-one percent of home-based workers are women. This profile, says Miller of LINK Resources, "reflects the fact that people tend to work at home in earnest after they reach a mature phase of their work-life cycle. They usually need eight or nine years of job experience before they have the skills, contacts, and confidence

to set out on their own. Alternately, if they are corporate employees, the extra hours at home go along with middle- and upper-management work styles."

Successful home-based workers are likely to be good self-starters who enjoy working alone. Among other qualities, they are persistent, self-confident, and skillful in communicating with others. Those who do adapt to working at home after working at an office also generally share a marked enthusiasm for their new life.

"I love it," says Peter Matthews. "I can get work done much faster at home than my partners can in their offices. If we are setting up a new investment fund, for instance, I can write a business plan in two or three days—while they are still answering the phone and dealing with all the interruptions of an office. As I see it, I have all the advan-

Create Your Space, Choose Your Tools

At each step along the way in setting up a home office, you are likely to discover new decisions to be made about the setup. The best overall advice is to be flexible. Here are a few considerations:

Space

Whether you need a private office or a less formal work area, if your work at home is full time, you probably will require your own space, separate from living areas.

Irmgard Castleberry, a reservations agent for bed-and-breakfast inns in Seattle, began her business in her 8-by-10-foot sewing room. Last year she expanded her work space by building a larger office from one of her bedrooms. It was during the two months of remodeling, though, that she realized the importance of having her own office space. She had to move into the living room while builders did their work—and stirred up dust. Trying to operate a business at home by using "one part of a room just doesn't work," she says. Even now that she is occupying her specially appointed office, Castleberry says, she has to draw the line between work and home life. "I physically close my office door at night and say, 'This is it.' That's how it has to be."

Equipment

Acquiring office equipment for use at home is usually a gradual process. You may not need more than a desk and a telephone. If you're new to the busi-

ness, let your office-equipment needs become apparent as you gain experience. You don't want to buy a lot of machines at the outset, only to find you have no use for some of them.

Dr. Karen L. Scruggs, a health-education specialist in New York City, says she computerized her office only as her business demanded. She began with a memory typewriter for form letters, and then she bought a desktop-publishing package when she needed to produce her own brochures. "Now it's time for a fax, to do some networking," Scruggs says. She also is considering a modem, which would enable her to review more academic journals that are electronically accessible.

If you are setting up an office in your home for your employer, you may be limited in your equipment purchases.

Buying used equipment will cut costs, but investing in used electronic equipment can be tricky. It is safest to buy new equipment that comes with a warranty. Stick to your priorities for an office at home, but be ready to adjust your needs as money-saving ideas come to mind.

Here are some commonplace machines that you should consider:

Telephone. You will need a private line for your home office. Call-waiting and call-forwarding features are useful, and if you expect heavy long-distance use, look into WATS service as a way to cut costs. If your office will be unattended for periods during the day, you'll want to consider the advantages of an answering machine or voice mail. (For more information on voice mail, see "Another Medium For The Message," *Nation's Business*, August 1989.)

Personal Computer. A basic PC sys-

tem with a disk drive, software, and printer can cost less than \$1,000; elaborate systems cost many times that amount.

Printer. When buying a printer, your choices will depend largely on how you want your printed documents and graphics to appear. Low-end printers are available for around \$200. A laser printer, which may produce letter-quality printouts, can cost \$2,000 to \$3,000. Ribbons, ink cartridges, and paper will be recurring costs.

Modem. A modem can connect your computer with a wealth of resources at a relatively low cost. It transmits information between distant computers over telephone lines. Modems operate at various speeds, with 2,400 bits per second now the standard. Prices for a modem of that speed start at about \$200. If you use a modem often, you'll want a higher-speed model, which not only would transfer data faster but also would save money on long-distance charges.

Facsimile. Fax machines soon will be standard equipment in most small businesses. A fax transfers an image of a document over telephone lines, producing a copy of the original at the receiving end. The machines cost \$800 to \$5,000, depending on the volume of work the machine can carry. Fax paper, a recurring expense, costs about 4 cents a foot.

Copier. A copier will save you trips to the local copy center. Prices begin at about \$1,100 for a basic copier that produces letter- and legal-size duplicates. Most copy-machine retailers offer service contracts based on volume of use. If you expect to use the copier infrequently, you may choose a contract with a service charge for each visit.

—Bradford A. McKee

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tages of being an executive without having to dress up for it."

Carol D'Agostino, a research associate and editor with LINK Resources, says she and colleague Miller "would have been fools not to take advantage of the opportunity" when their Manhattan-based employer allowed them to work at home.

Now D'Agostino works at her home on Long Island while Miller works at his home in a bucolic setting near Ithaca, N.Y. Both stay in touch with their central office and with each other regularly by phone, fax, and electronic mail. D'Agostino has a disability that limits her mobility, but with all of her means of communication, she says, "I sometimes know more about what's going on in the office than the people there do."

The benefits can cut both ways. In studies of successful programs, em-

On the down side, a 1986 report by the House Committee on Government Operations focused on concerns, usually voiced by organized labor, that employers can exploit home-based workers, particularly those in clerical jobs. The panel cited potential abuses such as employers' offering fewer benefits and lower wages to home workers compared with office workers. It noted also that home workers can be overlooked for promotions and career-advancement opportunities. The panel's examination cited no evidence to show such abuses occur on a wide scale, however.

Home workers almost universally cite isolation as their main problem. To avoid cabin fever, Peter Matthews does what many home workers do: He makes it a point to get out of the house

book. They tell home workers that the most important steps in making the adjustment are: "1. Admitting that you're missing something; 2. Recognizing just what you're missing; and 3. Taking action to stay involved with the people and events you're missing."

In helping to set up telecommuting programs, most experts advise employers to limit employees' work at home to two to three days a week. "Working full time at home is not a good idea," says Jack Nilles, president of JALA Associates, a Los Angeles consulting firm specializing in management uses of information technology.

"Our productivity studies show that somewhere around three days is probably optimum. If you work at home more or less than that, you tend to get lower productivity."



PHOTO: ©ALAN GOROW

ployers often report that home workers are happier and more productive, recruitment and retention are easier, and office costs are lower than before the work-at-home policy was initiated.

Although productivity can be hard to measure accurately, especially for white-collar workers, experts believe that increases of 10 percent to 20 percent are common when work is done at home. "There are lots of reasons for it," says consultant Gordon. "People at home often work more hours and often work for long periods without interruption. Also they tend to work during the time of day when they are most productive."

The technology encircling her keeps home-based researcher and editor Carol D'Agostino in touch with what's happening downtown at the office.

regularly. "Two or three times a month, I like to dress up and go to New York to mingle with all the other executives," Matthews says. He and his wife, Suzann, a former congressional staff member who left Capitol Hill to join the family enterprise, also make occasional business trips abroad.

"Some people simply don't adjust to the isolation of working at home," Paul and Sarah Edwards conclude in their

Nilles, who originated the term "telecommuting," currently is assisting the state of California in a two-year test of telecommuting for public employees. Since January 1988, some 250 state employees—from data-entry operators to judges—have been working from home two days a week and at their offices the remaining three days a week.

Viewed by many as telecommuting's most comprehensive test yet, the California experiment is being watched closely by private as well as public employers around the country. Among those rooting for positive results are environmentalists and traffic planners; many have long seen telecommuting as

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a possible answer to critical problems of automotive congestion and pollution in California and elsewhere. The results so far are promising, says Nilles, who adds that the state project "has already paid for itself in increased productivity and reduced absenteeism."

What strikes many people about telecommuting, however, is not that it is growing but that it is not growing faster. As Thomas Miller puts it, "The telecommuting revolution that some people were predicting a decade ago has just not happened."

The notion of workers "commuting" electronically between home and office was first widely advanced by futurist Alvin Toffler in his 1980 book *The Third Wave*. Toffler envisioned that modern technology would spark a revolution in

the way people view work and leisure. There would be "new emphasis on home as the center of society" as technology allowed more people to become "electronic cottagers," working at home as remote employees or in independent endeavors.

As Toffler and his followers saw it, elimination of costly and unproductive daily commutes to a distant work site would give people more time for useful activity and would reduce traffic congestion and the environmental pollution it produces. "Today it takes an act of courage," Toffler wrote in 1980, "to suggest that our biggest factories and office towers may, within our lifetimes, stand half empty, reduced to use as ghostly warehouses or converted into living space." The jury is still out on

whether Toffler was correct.

Although corporate interest in telecommuting and other work-at-home programs has never been higher, many if not most business executives and managers remain skeptical. Especially resistant have been middle and upper-level managers who see problems in trying to oversee a decentralized, virtually invisible work force.

"You've got to remember that there is a hundred-year-old tradition of going to the office," says consultant Gordon. "All of our patterns of supervision, all of our assumptions about how we work together, are based on that test of the centralized work location. When you begin to tinker with that, you see people's eyebrows go up."

Nonetheless, managers do have legitimate worries. Some argue that employees may mismanage their time at

Where You Can Go Before Going Home

If you think you might want to work at home, either for yourself or for an employer, you must take the initiative.

How should you proceed? How do you set up a home office? What will be your obligations to your employer, the tax collector, and state and local authorities? What psychological adjustments must you and your family make? How will you ever learn to operate all that high-tech office gear that will be your lifeline to the outside world?

There are books, studies, and periodicals on home working, and there are several associations to assist home workers. Here are some of the places where employers, home workers, and those considering working at home can turn for more information:

Associations

The American Home Business Association, 397 Post Road, Darien, Conn. 06820; 1-800-433-6361, is chiefly an information center for home-based businesses. Its advisory board includes tax and legal professionals and entrepreneurs who contribute to its monthly publication, *Home BusinessLine*. AHBA offers members group insurance and discount-travel packages.

The National Association for the Self-Employed, P.O. Box 612067, Dallas, Texas 75261; 1-800-232-6273, operates according to the philosophy that those who are self-employed have greater clout when they act collectively. NASE also offers travel, insurance, and legal services for members.

American Business Management, 13470 Washington Blvd., Marina del Rey, Calif. 90292; (213) 306-1776, focuses on tax matters concerning part-time and home-based businesses. Its services for members include certified public accounting and financial-planning assistance. ABM staff experts will represent members during tax audits.

Government

Forty-four states have Small Business Development Centers (SBDCs) at or near their state universities. SBDCs offer assistance in small-business planning. For information, contact your state university or the Small Business Administration, Office of Business Development, 1441 L Street, N.W., Washington, D.C. 20416; or call SBA's Answer Desk at 1-800-368-5855. SBA also offers a booklet, *The Business Plan for Home-Based Businesses*, available for \$1, from SBA Publications, P.O. Box 30, Denver, Colo. 80201-0030.

Books

Working from Home, by Paul and Sarah Edwards (Jeremy B. Tarcher Inc., \$11.95), covers almost every aspect of setting up a home-based business, from psychological considerations to space requirements and legal implications. It is available in bookstores or by writing to Jeremy B. Tarcher Inc., 9110 Sunset Blvd., Los Angeles, Calif. 90069.

Office at Home, by Robert Scott (Scribner's). This book—out of print but available at many public libraries—sets forth necessary decisions for determining whether working at home is for you. It also contains specific information on subjects such as office procedures, supplies, and budgeting.

Running a One-Person Business, by

Claude Whitmyer, Salli Rasberry, and Michael Phillips (Ten Speed Press, \$12.00), provides practical information for setting up a personal business. Unlike other books on the subject, however, it doesn't assume you are enthusiastic about going into business for yourself or working at home. Available from Ten Speed Press, P.O. Box 7123, Berkeley, Calif. 94707.

Making Your Office Work for You, by Jan Yager (Doubleday, \$9.95), discusses the material aspects of office design that will make your work environment more productive, whether you locate at home or in a high-rise office building. Order from Doubleday, 666 Fifth Ave., New York, N.Y. 10103.

Bringing High Tech Home, by Judith Silberstein and F. Warren Benton (John Wiley & Sons, \$14.95), addresses computer and other high-technology equipment for the home office. Order from John Wiley & Sons, 605 Third Ave., New York, N.Y. 10158.

Laventhol and Horwath Small Business Tax Planning Guide, by Albert B. Ellentuck (Avon, \$8.95), discusses various business structures, illustrates accounting procedures, offers solutions to tax problems, and gives tips for dealing with the IRS. Available from Avon Books, Dept. FP, 105 Madison Ave., New York, N.Y. 10016.

Periodicals

Home Office Computing, a monthly magazine, contains useful information on electronic home-office equipment. Its departments and columns offer a broad variety of material on home-based businesses. The subscription rate is \$19.97 for 12 issues. Write to *Home Office Computing*, 730 Broadway, New York, N.Y. 10003.

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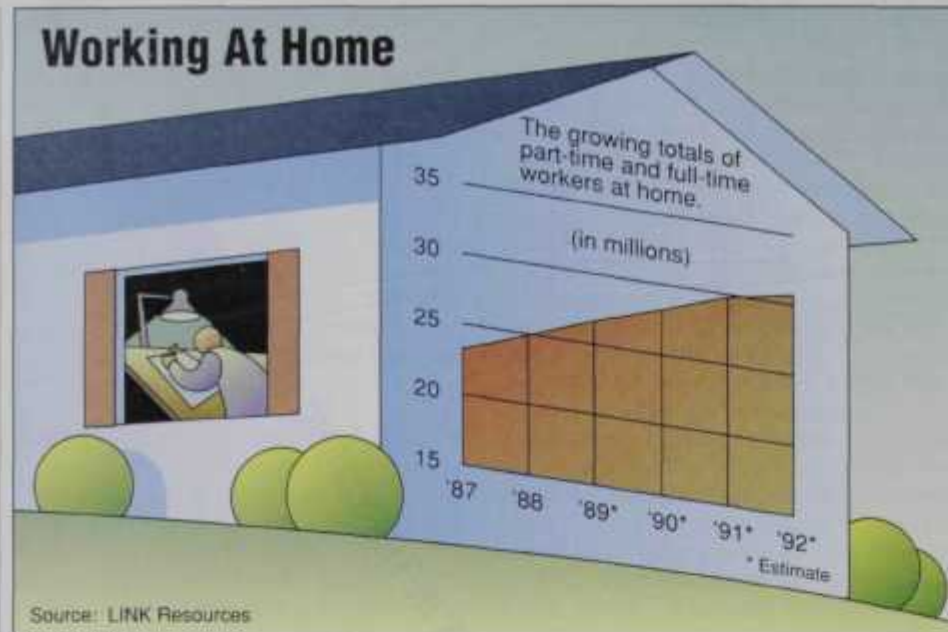
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Working At Home



home, procrastinating when they should be working. Others see value in placing employees in an office, where they can interact, compete, and be available for the special tasks that can arise unexpectedly in any business.

Partly as a result, relatively few companies have adopted formal work-at-home programs. Those that have done so are mostly large companies. What's more, some that tested such programs in the mid-1980s—the Hartford Insurance Group, for instance—had disappointing results and scrapped the programs.

Still, experts estimate that at least 500 companies—among them Bank of America, J.C. Penney Co., Travelers Insurance Co., American Express, Honeywell, and Pacific Bell Telephone—currently have formal work-at-home programs with, by one estimate, some 900,000 employees participating.

That does not count the perhaps thousands of companies, most of them small businesses, that openly or quietly have long allowed one or more employees to work from home under more casual arrangements. Nor does it include the millions of salaried workers who

regularly or occasionally take office work home to do in their off hours.

Among the telecommuting pioneers is Dallas-based J.C. Penney. In 1981, Penney set up a pilot program in which work-at-home employees handled some of the firm's catalog sales by telephone. One objective was to help ensure that catalog service would not be interrupted by bad weather or other problems. The program has been so successful that it has been made permanent and expanded to include more than 250 work-at-home employees.

Travelers Insurance Co., of Hartford, Conn., is notably enthusiastic about its work-at-home program, which includes data processors and others whose work is done mainly on computers. Although the company generally does not discuss its program publicly, a Travelers official this spring told delegates to a special Governor's Conference on Telecommuting, held in Seattle, that the Travelers program has shown "extremely positive" results in terms of employee satisfaction, productivity, and cost control. He said the program also has helped Travelers retain top performers in a tight local labor market.

Work-at-home analyst Thomas Miller is convinced that "telecommuting definitely works—you just have to reorient the organization to use it." He and other experts believe that much of the success of any work-at-home program for employees depends on how it is orga-

The Tax Questions

Perhaps you've forfeited home-office deductions for fear you'll automatically be audited by the Internal Revenue Service. Indeed, the IRS scrutinizes such deductions, but an IRS spokeswoman says that "most people, when they come down for an audit, find they can claim a lot more than they did."

The Tax Reform Act of 1976 cut home-office deductions sharply by changing the rules for write-offs, says Sidney Kess, a New York tax lawyer and certified public accountant. "Everyone had been taking deductions for things like work brought home on overtime, and they got away with it. Now deducting for a home office has become a lot more difficult, and fewer people are taking it," Kess says.

An office at home must meet at least one of these three criteria to be deductible:

1. *Is it an exclusive, regular place of business and the principal place of business?* This rule looks at home-office use and income. Judgments of "exclusive" use become subjective during an audit. "If there is a bed or washing machine in the room, or clothes in the closet, then that's not exclusive use," says the IRS spokeswoman. Also, if you are a salaried employee bringing work home, your home office is not deductible because it is not your principal place of business.

2. *Is the office a regular meeting place for clients, customers, or patients?* If you deduct for this reason, be sure you have reasonable proof that clients visit regularly. Keep a guest register in your office, or at least maintain a log of visitors.

3. *Is your office separate from the rest of your house?* You may deduct your home office if it is a separate building, not attached to your home, such as a garage or a shed, even if it is not the principal place of business and no clients ever visit there.

You need only good expense records

and an understanding of basic arithmetic to calculate the deduction yourself, but it is always best to verify your deduction with a tax accountant.

The IRS lets you deduct business expenses from income, but it requires tangible proof of purpose. You also may depreciate some equipment, such as office furniture and machines.

To depreciate part of your home, determine what percentage of it is dedicated to business use. Multiply that percentage by the home's cost, minus the cost of the land, to calculate what you may depreciate.

Total deductions for a home-based business cannot exceed the business's gross income for the year. However, outlays exceeding gross income may be carried over to the next year.

For further help, refer to IRS Publication No. 587: *Business Use of Your Home*. It is available at any IRS Forms Distribution Center, or it may be ordered by calling 1-800-424-FORM. You may direct questions on tax matters to your nearest IRS office.

—Bradford A. McKee

nized and who participates. Full preparation and firm support throughout the company—from the CEO to the remote worker—is crucial, they note.

They also recommend that employers take at least these steps:

- Use only volunteers for home-based work. Be aware that working at home is not for everyone; some people have jobs, skills, or personalities that are not conducive to home-based work.

- Develop criteria for selecting the right volunteers. Choose only experienced, proven performers. Some employers use questionnaires to determine how the employee feels about working alone, having minimal supervision, managing time, and other indicators of success in home-based work.

- Exercise the same care in selecting managers of home-based workers. Some managers insist on close supervision of employees and thus can be ill-suited for work-at-home programs. Choose only volunteers who demonstrate a flair for supervising, who show trust in their subordinates, and who prefer to manage by results rather than by the activities of their employees.

- Provide training for work-at-home employees and especially their supervisors. Both worker and manager should agree on what work is expected, how it should look, when it is due, and what home equipment will be required. Managers may have to be shown the benefits of organization, trust, and managing by results.

Where is it all leading? Analysts expect continued steady growth in the home-based work force. Such growth, they believe, is virtually assured as more baby boomers reach their late 30s and early 40s—the peak age period for wanting more independence and more time at home—and as traffic and pollution problems worsen. Gordon adds, however: “We’re never going to see—never should see—office buildings empty out.”

In a broader context, working at home is likely to remain only one option amid many in the mounting debate over a more flexible approach to work itself. Satellite offices, flexible work schedules, and job-sharing arrangements are all part of the bigger picture. “We’re well on the way to dramatic changes in how we organize ourselves to do our work,” Miller concludes. “Working at home is not for everyone, but it’s a quality option both in terms of productivity and personal life for those who are drawn to it.” ■

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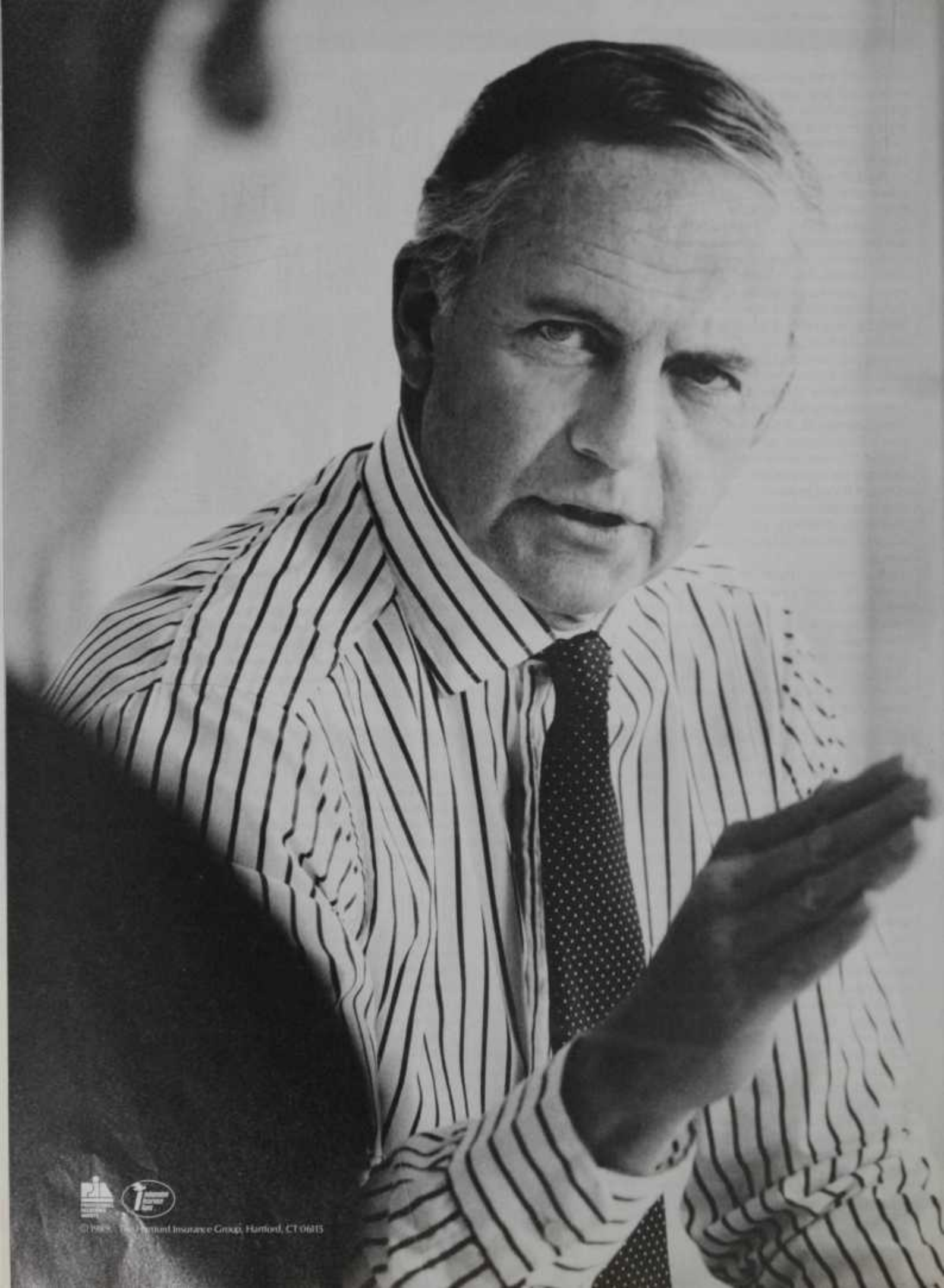


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Temporary Assignment

By Michael Barrier

Guy Millner foresees a dynamic economy propelled by workers who haven't put down roots.

Guy Millner reflects on the transitory nature of life: "My pastor says we're all temporaries. Life's a temporary assignment."

Maybe all flesh is as grass, but you can still make hay. And perhaps you can even find a way to make it in harmony with the pastor's view of life's evanescence.

You might, for instance, start a temporary-employment company. That's what Guy Millner did. He is the founder, chief executive officer, and principal owner of Atlanta-based Norrell Corp.

To judge by what has happened in recent years at Norrell and in the industry of which it is a part, Millner has certainly been in harmony with *something*. For the past two decades, the temporary-employment industry has expanded nearly twice as fast as the gross national product. Last year, the industry's payroll totaled around \$10 billion, and an average of 1 million workers held temporary jobs every week.

The growth in the number of temporary jobs has speeded up, from a compounded annual rate of 10 percent in the '70s to almost 12 percent in the '80s. One study suggests that employers are making "more sophisticated" use of temporary workers: A company that once might have hired only a temporary secretary to fill in for a few weeks at vacation time may now also hire specialized workers who spend only a few days in a greater variety of temporary jobs—a temporary accountant, say, or a temporary computer programmer.

According to the National Association of Temporary Services, around 2,800 firms make up the temporary-employment industry, ranging from giants like Manpower and Kelly Services down to small local agencies. The industry's biggest companies were all founded in the years immediately following World War II, but now Guy Millner's considerably younger Norrell Corp. is muscling its way into their midst; its current sales make it at least the fifth-largest in the field. Operating revenues increased last year by 48 percent, to \$434 million, and Millner says they will pass \$500 million this year.

Millner backed into personnel work after taking a degree in political science



PHOTO: TIMMY THOMPSON-BLACK STAR

Guy Millner visits one of Norrell Corp.'s Atlanta offices. Norrell, which Millner founded in 1961, sends more than 33,000 workers to temporary jobs every day from 379 such offices—some franchised, some company-owned—across the country.

from Florida State University in 1958. "I was going to be a lawyer," he says, "but then, lawyers sat in their offices and waited for business. I decided I wanted to be a little bit more active."

He became a partner in a new personnel agency in Atlanta. "That partnership survived for about three years," he says, "but at some point I felt I needed to get out and have a little bit more room for growth. My associates were more satisfied with the business as it was structured, and I wanted to see it expand outside of Atlanta."

He started his own temporary-employment company, then known as Southeastern Personnel Inc., in 1961. In 1964, he bought another agency, named Norrell, and changed his company's name to Norrell Southeastern. It became simply Norrell Corp. in 1975, when the company first expanded outside the South.

Norrell's net income last year was low—\$6.6 million—even for an industry that historically has operated with slim margins, but Millner says that is because he has built a company that can handle rapid growth without wilting under the strain. "Our last look at it said we could handle \$1.5 billion in revenues with our existing structure."

(As head of a privately owned company, Millner need not worry about stockholder pressures to go for short-term gains. Millner holds around 80 percent of the stock, and most of the rest is employee-owned. Norrell nevertheless publishes a detailed annual report that is all but indistinguishable from those issued by many public companies—"The information is available anyway, if a creditor wants it," Millner says, "so why hide it?")

If there has been any secret to Norrell's rapid growth in the past several

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LESSONS OF LEADERSHIP



PHOTO: TOMMY THOMPSON—BLACK STAR

Millner talks with Patty Peterson (facing camera) and another employee in the payroll department at Norrell's new headquarters building in Atlanta.

years, it has probably been Millner's emphasis on anticipating needs. Even though the economy is creating tremendous opportunities for temporary-em-

ployment companies, it also threatens to strangle those firms that don't understand its new requirements. The old-style "temp" who used an electric type-

writer and answered the phone is no longer of much use to corporations that work with sophisticated computers—and expect temporary employees to settle into their complex routines with a minimum of coaching.

Norrell got the jump on most of its competitors by installing an 800 number for its employees to use when they had a question about the software or hardware they were using. When temporary workers call Atlanta, Millner says, "people working on the database can plug that question into the computer and come back within two minutes and bring them back up to speed."

Under the name Dynamic Temporaries, Norrell has begun franchising offices that will offer nothing but office-automation temporaries. (Half of Norrell's 379 offices are franchised. Norrell bills the customers and pays all temporary employees directly; Norrell and the franchisee share the receipts in excess of payroll costs.) "Of Norrell's revenues, about 30 percent are in office automation," Millner says. "Dynamic is a franchise approach to compete with ourselves where we already have company operations."

That may sound a little odd, but Millner is in effect betting on the future of his industry. Some markets are so large and will grow so much, he says, that "our Norrell offices can continue to expand and still not get the share of that market that we need to get." He expects the new Dynamic offices to use their highly visible specialization to win office-automation accounts that Norrell might miss.

In other ways, too, Norrell seems pointed squarely toward the future. It has moved aggressively into providing temporary workers to the health-care industry, for instance, and revenues from that division of the company almost doubled last year.

His company's orientation toward the future may be most evident in some of Millner's own comments, which reveal a man who will be comfortable in a world in which employers and employees regard their roles very differently than most do now.

For instance, employers usually won't bother with job applicants who want to work for only a few months, but as far as Millner is concerned, "that's a big plus. In fact, we've many times taken a file room with 20 people and been able to staff it with 15, because we're doing it with people who aren't going to be there very long; who don't want to be there very long."

Sometimes, he says, "the short-cycle employee is much more productive than the long-cycle employee," because the short-term employee can focus on the

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Millner talks with Patty Peterson (facing camera) and another employee in the payroll department at Norrell's new headquarters building in Atlanta.

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Millner's vision of the future embraces what amounts to a just-in-time approach to personnel.

Twenty years ago, he says, when a large corporation opened a plant, "it put people in, it hired people, it ran big ads in the paper, it became a big corporate citizen, it gave to the United Way." The '80s, by contrast, have brought disruption: Plants have closed, moved, and consolidated, and many companies have found themselves, in effect, with an excess inventory of employees.

"When you've been so obvious in your going in," Millner continues, "it becomes painful coming out." The alternative in such a case, he says, is not to "commit lifetime employment to 750 people," but to bring in a core of full-time employees instead, and rely on temporary employees to meet needs as they arise.

"We have a client in a rural area that has 50 of their employees and 450 of ours," he continues. "Why do they do that? Because their business is driven by a seven-month cycle, and for another five months they've got to figure out what to do with these people. They were hiring 400 full-time people, and becoming inefficient part of the time and stretching people the rest of the time."

One of the greatest spurs to this just-in-time approach is, ironically, the U.S. Congress. Its efforts to protect full-time employees—through restrictions on plant closings, for instance, and complex requirements for equality in benefit plans—have backfired, Millner says, by encouraging employers to hire temporaries instead.

Section 89, the benefits legislation, "has been a boon to our business," he says. "What it has said to some people is, if we've got 500 employees, let's have 200 employees instead, and really do a very good job of taking care of those 200 employees, and let Norrell staff those other positions, which are probably going to have a high turnover anyway."

Even without that kind of help, Millner foresees an economy a few years ahead in which perhaps 10 times as many U.S. workers as now—including many professionals—work as temporaries. And if his company continues at anything like its current rate of growth, a high percentage of them will get their paychecks from Norrell Corp. ■

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Trucks Turn To High Tech

By Julie Candler

Manfredi Motor Transit Co. of Newberry, Ohio, owns 101 Freightliners with antilock braking systems (ABS). Since 1986, when the company first bought electronically controlled brakes for its tractors, the trucks have tallied 16 million miles, hauling tankers, some containing hazardous liquids. None of the trucks has been in any accident reportable to the Department of Transportation—any accident resulting in personal injury or more than \$4,250 in damages—says the company's president, Richard J. Manfredi. "And the cost of maintenance has been zero."

Manfredi says his firm can justify the cost of ABS (listed

by the manufacturer at \$1,850 for a four-channel system) on the basis of accident reduction. The company's fleet is 45-percent ABS-equipped, and Manfredi plans to make it 100 percent by the end of 1991.

Technological developments such as ABS are making trucks safer, easier to drive, more comfortable to ride in, and more economical to operate.

A 1989 heavy-duty truck typically gets 8 miles per gallon, while a 5-year-old model gets about 4. Truck maintenance cycles are lengthening, and maintenance costs are falling.

Volvo-GM predicts the point at which a first engine over-

Technological improvements make trucks safer and more economical. Here are major manufacturers' latest models.



GMC
TRUCK



KENWORTH



Ford



Volvo GM Heavy Truck




FREIGHTLINER



IVECO




Peterbilt



TOYOTA



INTERNATIONAL



To improve your business, run our commercials.



Dodge RamVan 250 and Caravan C/V. We can't guarantee our commercials will run forever, but we can offer the next best thing. Our exclusive 7-70 protection plan. Our attorney says you can see this limited powertrain warranty and its restrictions at your dealer.

We'd like to run a couple of commercials by you. The Dodge RamVan and Caravan C/V. Unlike a lot of commercials, they're not obnoxious. But when it comes to your business, they deliver a punch.

Ram Vans come in three sizes. So there's plenty of room on the outside to paint an ad for your company and plenty of room inside for what your company sells. A Dodge RamVan also offers an optional V-8 and the most available cargo capacity in its class.

Caravan C/V is our smaller commercial. But you can still choose a short or long wheel base and available dual rear doors. Add an optional V-6 or 2.5L turbo, and you'll send a powerful message to your customers that you mean business.

Dodge RamVan and Caravan C/V. Two great ways to become a commercial success.

The tough new spirit of Dodge.



SPECIAL REPORT



Mitsubishi Fuso FG 434, a diesel-powered, four-wheel-drive truck that thrives on challenging conditions.



Chevrolet Lumina APV: The commercial version of this minivan is designed for light delivery or sales work.



GMC's TopKick has an electronic speedometer and programmable digital radio adapters.

haul is required on most trucks will rise to 600,000 miles by 1992 from the current average of 300,000 to 400,000. It should be 1 million miles by 2004, when the firm predicts maintenance costs should drop to 70 percent of what they are today.

These improved trucks are going to cost more because of higher costs of engines and other components. Heavy-duty trucks' prices began edging up last fall; increases could average up to \$2,200 for some trucks.

Analysts expect that in a few years, light trucks will be brought into compliance with most of the federal emission and safety standards now required of passenger cars, including passive seat belts or air bags. This could add \$1,000 or more to the prices of light trucks.

Diesel-powered trucks also will cost more. They must meet tough federal rules on sooty particulate exhaust emissions.

"There's no question that the federal standards for cleaner exhaust emissions will drive up the cost of trucks in 1991, and much more for the tougher standards in 1994," says Ken Kelley, who writes on trucking for trade publications. According to the periodical *Automotive News*, some analysts expect truck prices to rise by \$2,000 or more in 1991. Kelley predicts a rush of orders in late 1990 to beat the Jan. 1, 1991, effective date for federal emission standards.

Regulation of diesel exhausts is the incentive for some of the new technological advances. This summer, when Mack Trucks Inc., of Allentown, Pa., introduced its new E7 engine for Class 8 vehicles (trucks of 33,001 or more pounds gross vehicle weight, or GVW), the firm announced that the engine could meet 1991 and 1994 emission standards. To do it, the new E7s have been designed for more power output capacity and improved operating efficiency. (They also save weight with a new cooling system that requires fewer gallons of engine coolant and one less wall of cast iron.)

In Anaheim, Calif., recently, Navistar International Transportation Corp. of Chicago demonstrated a prototype of a "smokeless diesel" that the manufacturer claims can meet the toughest 1994 state and federal standards without significant cost increases to consumers, except for the addition of a catalytic converter and other hardware.

Electronics are creating the most radical changes in new trucks. By the year 2000, computers, sensors, and other electronic components will add about \$2,000 to the price of the average car built in North America, according to Stuart Frey, Ford Motor Co.'s vice president for technical affairs.

Electronically controlled antilock braking systems, similar to those on Manfredi Motor Transit tractors, soon will be available on most light trucks, and within about three years, they will be a standard feature on many of them.

The ABS helps maintain directional stability by preventing rear brakes from locking under heavy braking on dry pavement or when traction is reduced. The equipment is particularly important when the road is slippery or the vehicle is lightly loaded or running without its trailer.

On four-wheel-drive (4WD) vehicles, four-wheel antilock brakes also preclude front-brake lockup.

The first antilock braking systems to appear on heavy-duty vehicles were on 1987 models by Freightliner. They're now becoming available on more medium-duty and heavy-duty trucks. Mack plans to introduce them. Ford, Volvo-GM, Mack, Navistar, Peterbilt, and Kenworth, as well as Freightliner, are cooperating with the National Highway Traffic Safety Administration in a two-year fleet test program.

To improve vehicle control further, manufacturers are developing traction-control systems. They are designed to give traction to one wheel when the other on the same axle is spinning, as occurs, for example, when one wheel is on ice and the other is on dry pavement. I recently drove a vehicle equipped with a traction-control system at a demonstration



Iveco EuroTurbo diesel trucks have cabs that one-handedly tilt 52 degrees.



Volvo-GM's new workhorse WHITEGMC was designed for short-distance hauling and other heavy-duty work.



Dodge Dakota convertible pickup is new for 1990. The Dakota also comes in an extended-cab model.

sponsored by Chrysler's Jeep Truck Engineering Department. I could feel the wheels begin to grip as the system exerted intermittent brake pressure. The system is designed to operate on acceleration, the way the ABS does on braking.

In July, Freightliner announced its new Traction Plus system. Manufactured by WABCO Automotive Products Group, the \$575 system adds only two solenoid control valves and two double-check valves to the existing ABS hardware from the same supplier. It automatically applies braking pressure in stages to a wheel just starting to spin. With it, a driver can move straight ahead from a loading dock even if pavement on one side of the vehicle is icy.

To make truck driving safer and simpler, Mazda revised the part-time 4WD drive system on its compact B2600i pickups by making it possible to shift from 2WD (two-wheel drive) to 4WD merely by pushing a button. The manufacturer added a 2.6-liter engine with three valves for each of its four cylinders. The new fuel-injected engine achieves 121 horsepower at 4,600 revolutions per minute (RPMs). The B2600i also utilizes twin counter-rotating balance shafts that effectively cancel secondary vibrations. The same engine is an option on the B2200, Mazda's 2WD pickup.

Toyota minimized engine noise and vibration on the 3.0-liter, V-6 engine found in its new 4Runner sport/utility vehicles. Innovative features include a new system for reducing fan noise by using an outer-ring cooling fan.

The GMC Truck Division put electronic features on its first all-new line of mediums in 16 years, introduced for 1990. The new GMC TopKick and Chevrolet Kodiak have electric speedometers with no cables to break or make noise. They offer programmable digital radio adapters to make it easy to adjust the speedometers to tire size and axle ratio. Electronic speedometers are also on other vehicles, including Navistar's new 2000 and 8000 Series heavy-duty models.

Microprocessor technology is making automatic transmissions more efficient and reliable. Ford recently increased plant capacity for building its electronically controlled four-speed automatic overdrive transmission, which has been in demand for its Super Duty pickup. For 1990, the transmission comes in 4.9-liter and 5.8-liter applications on the full-size F-series pickup. With a stripped chassis, the pickup becomes a Class 3 (10,001 to 14,000 pounds GVW) Super Duty able to do the work of a Class 4 (14,001 to 16,000 pounds GVW).

Last December, Navistar included four- and five-speed Allison automatic transmissions on the list of options for some of its new medium-duty trucks. Last January, Hino Diesel Trucks (U.S.A.) Inc., of Orangeburg, N.Y., offered an automatic transmission on a Class 5 (16,001-19,500 pounds GVW).

GM later offered four- and five-speed automatic Allison transmissions for some models of the new TopKick/Kodiak. In July, UD Trucks of Dallas included an optional four-speed automatic with its new medium-duty trucks. Saab-Scania of America Inc., of Orange, Conn., has debuted an optional Computer-Aided Gear Shift that can automatically select the proper gear or be overridden by the driver.

Last fall, Navistar offered for its 9300 conventional and 9600/9700 cab-over-engine series a new unit-designed power train. It also announced exclusive software and "Power Demand" cruise control, which allows a driver to use up to 350 horsepower for climbing grades. At other times, the driver has the economy of a 310-horsepower engine.

Power steering also has moved into medium and heavy trucks, including the Kenworth K150 and Peterbilt 227 Mid-Rangers.

For comfort, the cabs of medium- and heavy-duty trucks are acquiring features such as tilt and telescoping steering wheels, which began appearing on light trucks a few years

SPECIAL REPORT



Chrysler Town and Country is a luxury version of the successful Plymouth Voyager and Dodge Caravan.



Isuzu NRR is a stripped chassis that can handle body and payload capacities of up to 11,000 pounds.



Toyota 4Runner, a sport/utility vehicle, minimizes engine noise and is packed with innovations.

ago. These two features are on the new Mack CH600, WHITEGMC WG, International 9400 conventional tractors, Hino, Mitsubishi Fuso, and other vehicles.

Air-suspension seats and other ride improvements help to make the trip even more pleasant. TopKick/Kodiak claims its special suspension improves system durability as well as ride. Navistar says its new engine-mounting system reduces vibration and decreases in-cab noise up to 50 percent.

Among the light trucks, three dramatically styled attention-getters this fall are new front-wheel-drive minivans: Chevrolet Lumina APV (all-purpose vehicle), Pontiac Trans Sport, and Oldsmobile Silhouette. Their plastic bodies make the most extensive use of composite panels ever. They offer a 3.1-liter V-6 with three-speed automatic. The minivans' modular, 35-pound seats in the middle and rear rows can be removed to provide more cargo space. There will be a commercial version of the Lumina as well.

Manufacturers are adding new features to make their light trucks safer, more comfortable, and more stylish. Following are descriptions of their new offerings for trucks in classes 1 (up to 6,000 pounds GVW), 2 (to 10,000 pounds), and 3 (to 14,000 pounds):

Chevrolet. Chevrolet also added two more versions of its new C/K full-size pickup. The C/K1500 Work Truck "WT" is a no-frills workhorse. With special identification, it's available in a 4x2 with a maximum payload of 1,711 pounds and a 4x4 with a payload of up to 1,331 pounds. The second, a 454 SS, is a high-performance C1500 intended primarily for personal use. The 1990 version of the Chevrolet Astro minivan has full-time all-wheel drive and four-wheel antilock brakes. An extended model Astro will add 10 inches of length and nearly 19 cubic feet of cargo capacity.

Chrysler. Chrysler's new Town and Country, a luxury version of its successful Plymouth Voyager and Dodge Caravan, will have antilock brakes.

Dodge. Dodge highlights for 1990 include extended-cab models in the Dakota midsize and Ram full-sized pickups. A heavy-duty four-speed automatic transmission was made available for Dodge Ram pickup trucks, Ramchargers, Ram vans, and wagons. Dodge also added a Dakota convertible.

Ford. Ford equipped its Aerostar van with antilock brakes and a new heavy-duty four-speed automatic transmission. In November, Aerostar will be available with a beautifully handling, electronically controlled, full-time four-wheel drive.

Hino. A light-duty truck that can handle heavy jobs arrived this year at Hino dealerships. It's the FA 14, a class 3 rated at 13,500 GVW, with heavy-duty frame and brakes, and a five-speed transmission to go with its 125-horsepower turbocharged diesel engine.

Isuzu. American Isuzu Motors of Whittier, Calif., has a new Amigo sport-utility vehicle for 1990. It's a derivative of the new pickup Isuzu introduced last year. With a soft or a hard top, it will seat two or four people and use a 2.3-liter or 2.6-liter four-cylinder engine.

Mazda. Mazda Motors of America, of Irvine, Calif., adds a shift-on-the-move, four-wheel-drive version of its new MPV van, which drives and rides like a passenger car. Mazda is anticipating eventual introduction of a commercial version of the 4WD model with a 3-liter, V-6 engine. For 1990, a five-speed manual transmission will be available. With a towing package, the 4WD van can pull up to 4,000 pounds.

Mitsubishi Fuso. Mitsubishi Fuso Truck of America of Bridgeport, N.J., has added its first diesel-powered, cab-forward, four-wheel-drive Class 3 truck, the FG 434. At 11,600 pounds GVW, the truck can handle challenging conditions, on or off the road, on snow, sand, or steep grades.

Nissan. A new Axxess multipurpose vehicle (MPV) achieves its purpose: to offer the utility of a van in a smaller package with the performance and comfort of a good-riding



Nissan Diesel America UD2300 features low loading height and high gross vehicle weight for recyclers.



Ford Aerostar, a van with antilock brakes, soon will be available with full-time four-wheel drive.



Mack Trucks' aerodynamic CH600 series of tractors represents five years of computer-aided design.

sedan. From Nissan Motor Corp. in U.S.A., Carson, Calif., it's the only MPV with sliding doors on both sides. With seats for up to six passengers removed, it can haul up to 800 pounds of cargo. Its many options include a choice of front or full-time all-wheel drive. Power is from a 12-valve, 2.4-liter four-cylinder engine. Nissan adds a four-door model of its Pathfinder sport-utility vehicle this fall.

Oldsmobile. The Silhouette, the first Olds truck in a generation or more, comes with optional leather seats and an electronic level control on its optional FE3 touring suspension.

Toyota. This past spring, Toyota unveiled an aerodynamically styled 4Runner, a 4WD, four-door version of the pickup introduced last fall. It's also available in a 2WD vehicle, and there is a two-door 4Runner available only in 4WD. Toyota's 4WDemand system lets the driver engage 4WD at speeds up to 50 mph.

Some new medium- and heavy-duty trucks are on the market for 1990. Others have new features or new looks. Here are descriptions of what's new in trucks in classes 4 (14,001 to 16,000 pounds GVW), 5 (to 19,500), 6 (to 26,000), 7 (to 33,000), and 8 (over 33,000 pounds).

Ford. Among the medium- and heavy-duty trucks, Ford last fall unveiled a low-profile medium, its 1990 F-600 gasoline model. Ford later plans to introduce the popular low-profile feature on trucks with higher GVWs and diesel engines.

The lower frame height creates more hauling space than conventional trucks and makes low profiles easy to load and unload manually. "These trucks are especially attractive as one-way-delivery rental units and recycling trucks," says James D. Whyte, manager of Ford's Kentucky truck plant.

General Motors. The new lineup at GM includes the Chevrolet Kodiak 50, 60, and 70 series and the GMC TopKick 5000, 6000, and 7000; classes 5, 6, and 7. When a tandem axle is added to the class 7, it becomes a class 8. Identical except for nameplates, the vehicles are conventional models covering a full spectrum of medium-duty applications. They are available as a truck or tractor and in single- or tandem-axle models. Their gross vehicle weight ratings range from 16,850 to 53,220 pounds. Nine different wheelbase models range from 132 to 261 inches. The trucks are offered with a 6- or 7-liter gas engine or a GM-exclusive 6.6-liter turbocharged Caterpillar 3116 diesel. GM plans a low-profile version during the 1990 model year.

Isuzu. A niche not previously covered is now filled by a new 18,000-pound GVW Class 5 truck from Isuzu Truck of America Inc., of South El Monte, Calif. Isuzu's NRR model is a stripped chassis that can handle body and payload capacities of up to 11,000 pounds and accommodate body lengths of 12 to 22 feet. Isuzu, the nation's leading importer of commercial trucks, says the NRR is designed for construction, beverage, furniture, food and baking, nursery, and other products.

Iveco. Iveco Trucks of North America, of Blue Bell, Pa., showed off a new line of its class 3 through 6 (10,001 pounds GVW through 26,000 pounds GVW) EuroTurbo diesel trucks in 1989. They have front disc brakes, cabs that one-handedly tilt 52 degrees, increased horsepower and torque, new suspension springs, simplified electrical systems, and improved transmissions and differentials.

Mack. Mack Trucks worked from the ground up in developing the frame, chassis, and cab for its new CH600 series of conventional tractors. They represent five years and \$60 million in computer-aided design and development, both in Mack's advanced test and engineering center and in real-world testing. The series is offered in both axle-back and axle-forward configurations, with 42-inch and 60-inch integral sleepers.

The cab of two-sided galvanized steel, double-wall con-

SPECIAL REPORT

struction is quieter, yet it is lightweight and more spacious. Its sophisticated suspension system provides a comfortable ride. The integral sleeper, with stand-up room, rides in unison with the cab on an air-suspended subframe for improved riding comfort. The sleeper can be removed if it's not needed.

The CH600's improved wheel cut allows a 26-foot curb-to-curb turning radius. It's powered by the Mack E6 diesel engine or the new six-cylinder E7. Based on Mack's well-received E6, the E7 is redesigned to generate higher horsepower and meet new emission standards starting in January 1991. It offers horsepower ratings from 250 to 400 and Maxidyne high torque rise or conventional torque rise engines.

Mack also introduced a new RB600 line of conventional trucks with set-back front axles for construction and severe-service use. They have greater payload efficiency because of increased front-axle weight transfer.

Mitsubishi Fuso. Mitsubishi Fuso Truck of America, of Bridgeport, N.J., has debuted a high-end Class 7 FM 557, with 32,600 pounds GVW. The tilt-cab, cab-over-engine model is powered by a Mitsubishi 220-horsepower six-cylinder turbocharged diesel. The truck is designed for heavy uses such as hauling loads through hilly country. MFTA also expanded power train offerings for 1990 to make its FE and FH series more useful for different types of businesses.

Navistar. Navistar replaced its entire S-series line of medium, medium-heavy, and heavy-duty trucks with completely new models, 26 altogether. Though Navistar called the S series "perhaps the largest-selling truck model in recent industry history," the company brought out the new models to stay "state of the art." The extensive changes include 2,400 new parts, new electrical systems, interior trim, and frame rails. Most of the new models have aerodynamically styled sloping hoods and feature simplified design with fewer parts.

New 4000-series straight trucks start with a 4600 and a 4600-LP (Lo-Profile). The LP version has a lower frame height and a deck that can be lowered to 24 inches from the ground. Navistar says it's the lowest in the industry. The 4000 series ranges up to a 4900 LP with a maximum GVW of 39,000 pounds and gross combination weight rating of 60,000 pounds for severe service.

The 7000 series includes a single-rear-axle tractor for short-haul operations, the 7100 4x2, and a new 7100 6x4 straight truck for on-highway applications requiring maximum maneuverability.

In the heavy-duty category, Navistar revealed 11 new S-series conventional cab line haul tractors and 2000-series straight trucks for severe-service applications. The 8000-series tractors are intended for short and medium hauls.

To its 9000 series of heavy-duty premium highway vehicles, Navistar adds the International 9400. It's a 1990 low-profile conventional tractor with a sloped hood and a set-back front axle. It's designed for operators of private fleets, common and contract carriers, and owner operators.

Navistar says wind-tunnel tests show significant improvement in fuel economy. The 50-inch setback of the front axle gives it a greatly improved turning radius. It features a light, all-aluminum cab, a range of power options up to a 444 horsepower engine, and a new suspension for improved ride.

Nissan Diesel America Inc. of North America. The new cab-over-engine UD1800 and UD2300 from UD TRUCKS, of Irving, Texas, feature low loading height and high gross

vehicle weights for the recycling market. Their turning radius can be as short as 17 feet. The UD1800 is a class 5 with a GVW of 17,640 pounds and a six-cylinder diesel engine. The UD2300 is a class 6 with a GVW of 22,500 pounds and a six-cylinder turbocharged diesel rated at 180 horsepower.

PACCAR. PACCAR Sales North America Inc., of Bellevue, Wash., added two more models to its Kenworth and Peterbilt Mid-Ranger series this summer. They are the tilt-cab Kenworth K150 and Peterbilt 227, to serve the high end of the Class 7 market. They weigh in at 33,000 pounds, one pound under the class 8 category that makes buyers liable for federal excise taxes. They are ideal for beverage distribution, refuse and recycling pick-up, and fuel-oil deliveries.

Produced by Volkswagen of Brazil, the vehicles feature a Cummins C-series engine rated at 210 horsepower. With 605 foot-pounds of torque, the engine helps a medium-duty truck handle jobs that once required Class 8 vehicles.

Paccar says the engine turns at up to 800 fewer rpms than some equivalent engines at the same road speed, making it more durable.

Saab-Scania of America Inc. A traveling caravan of 15 Scania trucks this summer showed off the recently introduced 113-series trucks and tractors. They are the products of the Swedish firm that is the world's fourth-largest heavy-truck manufacturer. The new 113s emphasize driver comfort and a dash with enhanced ergonomics.

Volvo-GM. A new workhorse WHITEGMC was introduced by Volvo-GM Heavy Truck Corp., of Greensboro, N.C. The Class 8 WG tractor/truck was designed to be competitively priced and fit the needs of companies that do short-distance hauling and various other heavy-duty work.

Another new entry from WHITEGMC is a high cab-over-tractor with a nonsleeper cab that is 63 inches from bumper to back of cab. That's 10 inches longer than the truck maker's current nonsleeper. The new cab is roomier and more comfortable and has a better ride. Power comes from a standard Cummins F-315 88 Big Cam IV engine.

Western Star. Boasting that their Class 8 trucks are custom-built to meet exact demands of a job, Western Star of Toronto recently announced a new 5900 model. It's a sloped, aerodynamic version of the long-nose conventional 4900 model. It is intended for highway use, though it can handle logging, on/off highway, and oil-field jobs as well.

The truck maker also announced a 4800X and 4900X; their hoods slope steeply enough to improve visibility by 15 percent for maneuvering at construction sites.

Choosing from such an array of trucks and options can be an overwhelming task. *Automotive News* says there now are 77 lines of trucks in the Class 2 through 6 categories alone. This array of products didn't exist four or five years ago.

In reviewing the new technology, Gary Hollis of the Los Angeles office of Arrow Truck Sales says the important thing to remember when you obtain a truck is to choose the vehicle with the innovations that are right for your needs. He says that during his years selling used trucks he has found that "many people want more than they need."

And with the prices of trucks going up, if you get more truck than you need, you probably will have to pay a lot more for it. **MB**



Navistar International's "smokeless diesel" can meet the toughest state and federal emissions standards for 1994.



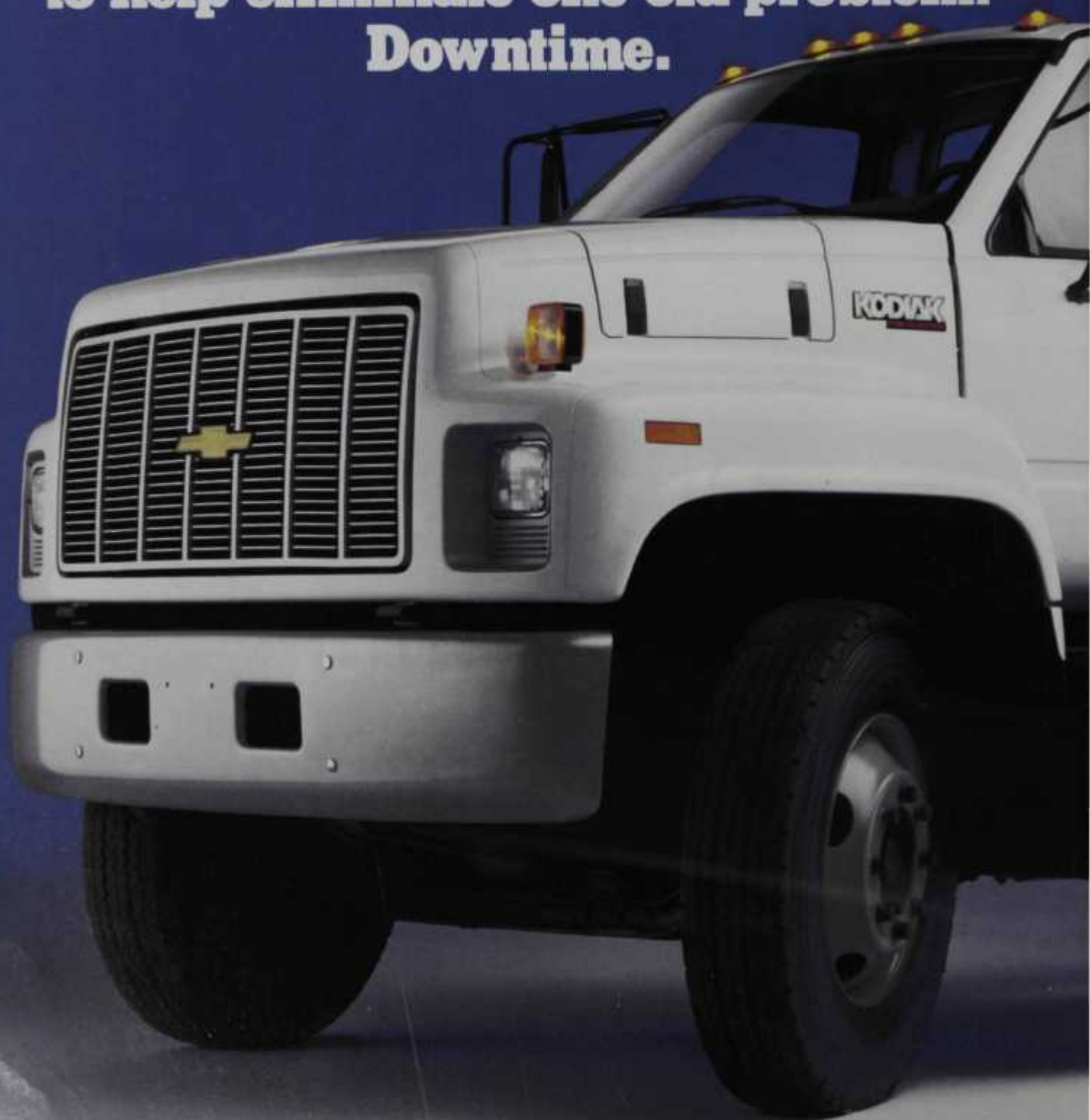
Nighttime.
Daytime.
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**Introducing the GMC TopKick
and the Chevrolet Kodiak.**

**Two new medium trucks designed
to help eliminate one old problem.**

Downtime.



The Components of UpTime.

Dependability.

Dependability has a simple definition: your trucks go out every morning and come back every evening without you worrying about them.

To make the new TopKick and Kodiak that dependable, we concentrated on design, engineering and testing.

Designing the new TopKick and Kodiak conventional medium trucks was, from the start, a customer-driven process. General Motors engineers asked truck users about the truck concerns they had encountered on a day-to-day basis. They listened; then went to work.

Some improvements were major innovations. Others were evolutionary: simply taking things that already worked well and finding ways to make them work a little better.

GM is so confident of the quality and dependability you'll get from the TopKick and Kodiak, they've backed them both with one of the best warranties in the medium truck business. See your dealer for terms of this limited warranty.

Performance.

Since the engine is the heart of a medium truck, TopKick and Kodiak were given the best engine lineup in the business. That lineup includes two rugged 6.0-liter and 7.0-liter V-8 gasoline engines with electronic fuel injection.

TopKick and Kodiak are also available with the premium Caterpillar® 3116 in-line six-cylinder diesel engine.

Getting the job done requires a medium truck with good handling and maneuverability. To enhance performance on the road, GM engineers designed the TopKick and Kodiak with a short turning radius.



Driver comfort is also part of the overall performance measure of a medium truck. So GM engineers gave TopKick and Kodiak significant refinements in the cab area, including easier entry and exit, greatly improved visibility, better seating support and double-stitched seat seams. Those features and more should help drivers be more productive because they'll be more comfortable behind the wheel.

Serviceability.

Serviceability is an essential component of UpTime; when your trucks are in the shop they're not on the job. So these new trucks are designed to help make service and maintenance quicker and easier.

In some cases, easier maintenance meant redesigning parts. A new steering-column ball joint design, for example, increases recommended lubrication intervals by 54,000 miles. And an all-disc brake system means a reduction in brake maintenance downtime due to recommended scheduled maintenance.

In other cases, easier maintenance meant relocating items. A maxi-fuse box, for example, now puts all major engine-compartment fuses in one easy-to-get-at location, instead of scattering them at remote engine locations. The new TopKick and Kodiak have a standard tilt hood and integral grille that tilts for easy engine access. If your job application requires a stationary grille, you can spec hood access panels that make it easy to reach engine maintenance components by simply unlatching and lifting a panel.

Getting the truck part you need, when you need it, is also important. So GM has streamlined the GM parts and service system to give you quicker turnaround on truck parts. And that means more UpTime.

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Choose from the best engine lineup in the business.

For dependable power and performance from your new TopKick or Kodiak, you can choose the Caterpillar 3116 diesel engine or gasoline engines with electronic fuel injection. The Cat 3116 is designed specifically to meet medium truck needs for the 1990s. Available with 165, 185, 215 and 250 horsepower, this in-line six-cylinder, 6.6-liter, turbocharged after-cooled diesel has a remarkable power-to-weight ratio.

The Cat 3116 features unit fuel injection to improve fuel consumption and decrease emissions, a gear-driven rather than belt-driven air compressor for improved reliability and reduced maintenance costs, and air-to-air

aftercooling (ATAAC) for superb fuel efficiency.

Two proven GM gasoline engines are also available: a 6.0-liter (366 CID) V-8 delivering 205 SAE net horsepower and 325 lb-ft net torque; and a 7.0-liter (427 CID) V-8 delivering the highest horsepower rating of any medium truck gasoline V-8, at 240 SAE net horsepower and 375 lb-ft net torque.

Both these gas engines have electronic fuel injection (EFI). TopKick and Kodiak are the only medium trucks on the road that offer you this advantage. Compared to our equivalent 1988 carbureted gas engines, EFI engines deliver more horsepower, more torque and better fuel economy. EFI also means improved cold and hot starts, and virtually eliminates the possibility of vapor lock.

Cat 3116 diesel, or EFI gasoline: whichever you choose, TopKick and Kodiak mean more UpTime for your business.

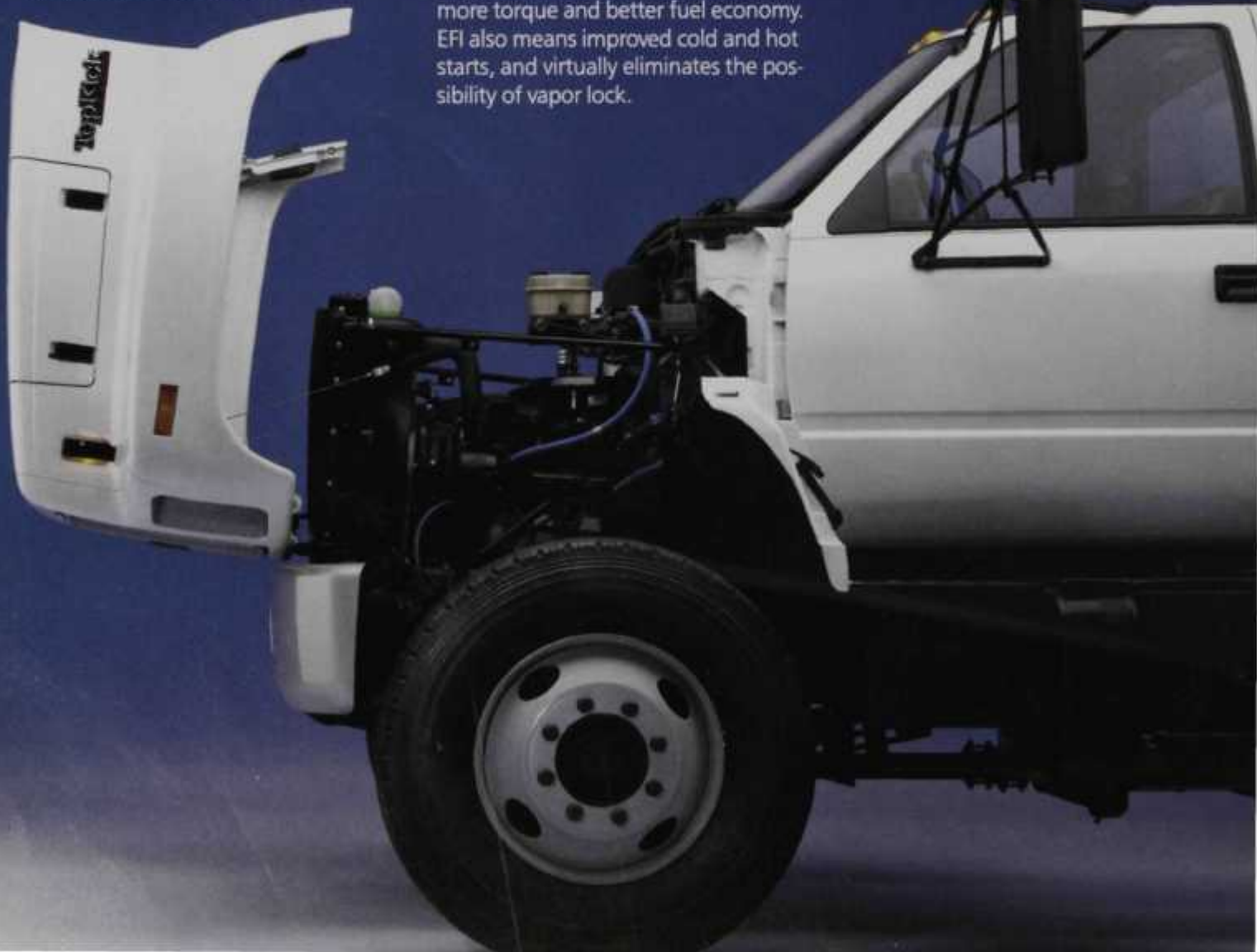
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PUBLIC SPEAKING

Leave Them Laughing

By Mary Beth Marklein

A not-so-funny thing happened on the way to the podium: Businesswomen lost their sense of humor.

Success-oriented entrepreneurs would be wise to recapture it, says Bob Orben, an Arlington, Va., speech writer who specializes in humor. As women gain prominence in their communities and are asked to speak at various events, he says, they're likely to find that they're expected to be humorous—whether in opening remarks or a full-fledged "roast."

Experienced speakers know that a light touch goes a long way in gaining an audience's confidence. "People remember better when they're smiling," says Barbara June Hill, a San Diego business leader who frequently gives motivational speeches.

But tickling the funny bone isn't the same as becoming a comedian, says Hill, who owns Electronic Metal Fabrication Inc., a sheet-metal firm. "A humorous speech is not a whole bunch of funny stories with a bang ending," she says. Rather, humor should help make a point.

"It helps you say things that otherwise might make audiences uncomfortable," says Barbara Proctor, president and chief executive officer of Proctor and Gardner Advertising Inc., in Chicago.

Neither Proctor nor Hill could always elicit chuckles from their audiences. Twenty years ago, Hill says, "I was a very serious speaker. I thought if people got the facts, they'd learn." Proctor says her early speeches were too intense. "People don't relish being preached at," she says today.

Women may be reluctant to risk humor because they fear it's unbusinesslike, says Jeanne Robertson, a professional speaker from Burlington, N.C., who frequently addresses association conventions and corporate meetings. "As they go up the corporate ladder, they think, 'Oh, dear, now I'm supposed



People remember better when they're smiling, says Barbara June Hill, a San Diego business leader. She uses humor in speeches and smaller presentations to help make her points and to say things that otherwise might make audiences uncomfortable.

to take life seriously." In reality, she says, humor is "one of the best things you can use to get up that rung."

Nonetheless, women have fewer options than men, she adds. Of the stories found in joke books, she says, "A lot are not funny, and those that are funny are geared toward male situations. When a woman tries to tell it, it just comes out wrong."

Many women also rule out self-deprecating humor, a style favored by many men. The theory is that if women put themselves down, they set themselves back. "We all know the inequalities in the business world," Orben says. "It's been a hard, tough climb. So when a woman gets up in front of an audience, she isn't about to do anything that makes her look foolish."

Nevertheless, Orben urges women to find other lighthearted ways to illustrate their points. The question is where to mine that humor.

Says Hill: "I bring in anecdotes that are real, that are funny, that are right around me."

Robertson advises women to keep notes on everyday situations, then "let

your mind wander. Ask yourself, 'Wouldn't it have been funny if...?'"

It helps to know your audience. Hill typically interviews a few people who will hear her upcoming talk.

Proctor sometimes begins speeches with "test" humor, such as explaining that she was in a rush that morning and then lamenting to the audience that a businesswoman lacks one advantage that a businessman has—a wife. The response to such remarks, she says, "tells me if it's a feminist audience or not," and she tailors the rest of her speech accordingly.

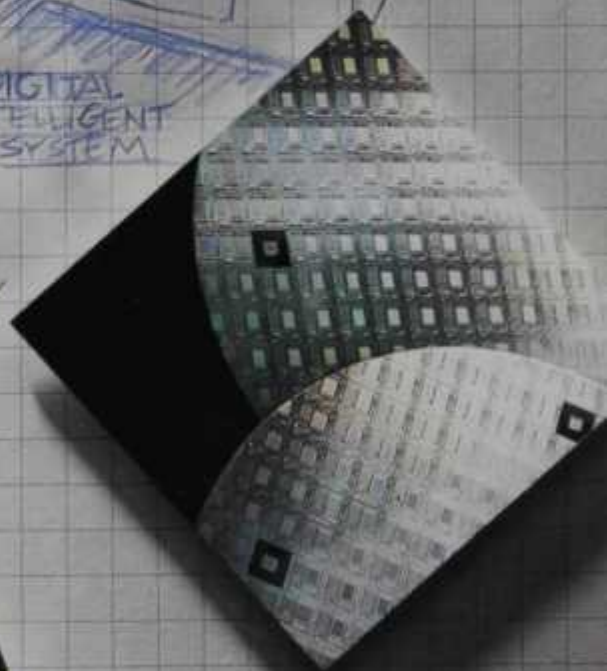
Finally, using humor in speeches is a matter of practice. Toastmasters International and International Training in Communication are two organizations that enable nonprofessional speakers to hone their skills—and their humor—in a nonthreatening environment.

Using humor may be scary at first, but it pays off in the long run. "We like people who can make us laugh," Orben says. "We feel at ease with them, and if we feel at ease with them, we're more likely to work with them."

Continued on Page 52

Mary Beth Marklein is a free-lance writer in Chevy Chase, Md.

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CAREERS



You can be a full-time mother and still lead an independent and productive life, contends Christine S. Donovan. She's rearing Peter and Elizabeth and at the same time co-publishing a newsletter for at-home moms like herself.

Get Ready For Life After Motherhood

Today's full-time mother is a woman "at risk," according to two Southern Californians who decided to do something about the problems of women who, like themselves, are at-home moms.

Deborah L. Dawson and Christine S. Donovan say that if the job of full-time parenting ends unexpectedly because of divorce or a spouse's death, disability, or desertion, the at-home mother typically becomes a "displaced home-

maker"—a woman forced out of the home and into the marketplace, often without a career background adequate to get a good job.

An at-home mother who seeks outside employment when the children are older often has difficulties making the transition from homemaker to working woman, Dawson and Donovan say.

"Women at home today can build legitimate and marketable professional skills, whether they've been home for two years or 20 years and whether they've been employed before or not, but they need career information that is tailored to their special needs," says Donovan.

To help mothers meet such needs, Dawson, a former publications editor, and Donovan, a former public-relations writer, last year launched *The Woman's Workshop Quarterly*, a newsletter published in Coronado, Calif.

Now reaching more than 2,000 subscribers, the quarterly contains profiles on "mentors" such as novelist Belva Plam, syndicated columnist Abigail Van Buren, Sen. Nancy Kassebaum, and other women who have started successful careers later in life. Recent issues also have included articles on mastering the art of public speaking, using volunteer work to develop leadership skills, and employment and business opportunities for at-home mothers.

In a recent issue, Donovan and Dawson told readers the newsletter would not be used as a forum to discuss the issue of whether a woman should stay at home with her children or continue her career: "We wanted to help at-home mothers get past that debate and get on with their lives."

Subscriptions are \$16 annually. For more information, write to Woman's Workshop, P.O. Box 843, Coronado, Calif. 92118, or call (619) 437-1350.

GOVERNMENT

New Leader For Women's Office

Lindsey L. Johnson, who served in President Bush's campaign for the White House, has assumed the post of director of the Office of Women's Business Ownership at the U.S. Small Business Administration.

Johnson, 29, was national director of the Coalition for Women with the Bush/Quayle '88 Campaign. After the election, she worked with the transition team to recruit women for the new administration.

Formerly a lobbyist in Washington, she is the daughter of Rep. Nancy L. Johnson, R-Conn.

Lindsey Johnson says that one of her key goals is to "really help women who want to start businesses have the tools to do so." She also wants to help women business owners "expand their markets and move into the more global economy that we're in."

A major effort within her office, Johnson says, is helping women "promote themselves and what they do." That includes being an "advocate for women business owners" before Congress, the executive branch, and the private sector, she explains.

And what does an outgoing director of the Office of Women's Business Ownership do? She starts her own business, of course. Carol M. Crockett, who headed the office from 1985 until August of this year, has launched the Carol M. Crockett Co., a public-relations firm, out of her home in Washington, D.C.



PHOTO: T. MICHAEL REZA

Heading SBA's women's office is Lindsey L. Johnson.

Mark Your Calendar

Oct. 6-8, Pittsburgh

"Connections '89," sponsored by the National Association for Female Executives Inc., is a conference for executive women in Middle Atlantic and Midwestern states, to help them map strategies for the "business game" of the 1990s. Seminar topics include marketing for entrepreneurs, networking, financial planning, public speaking, and international management. Write or call Connections '89, Conference Planning, 1801 First Avenue South, Suite 333, Birmingham, Ala. 35233; 1-800-641-3232.



Malaysia



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Malaysia



MENTERI KEBUDAYAAN DAN PELANCONGAN MALAYSIA

FOREWORD

Congratulations and thank you to Nation's Business for the special supplement on the Visit Malaysia Year 1990 and for the honour given to me to say a few words in this supplement.

The supplement is indeed timely for creating further awareness of our vast tourism potential which Malaysia has to offer and the opportunity for the Americans to know of our festivities during the Visit Malaysia Year 1990.

I am certain that this supplement could contribute positively in the latest development of Malaysia's tourism industry.

I would like to wish Nation's Business every success and look forward to welcoming you to our country.

Yours sincerely,

(DATO' SABBARUDDIN CHIK)
Minister of Culture and Tourism,
Malaysia.



When English author Somerset Maugham spun his tales about the fascinating and little-known Southeast Asian colony of Malaya, he invoked an era of tropical opulence, married to the intrigue and drama of hidebound British civil servants and expatriate planters living in paradise.

Today, Malaysia, independent and free, and one of the fastest-growing developing countries in the six-member Association of South-east Asian Nations (ASEAN), is still that same tropical paradise celebrated by Maugham and a host of other writers, offering a heady mix of cultural and scenic pleasures.

In 1990, fascinating Malaysia will be holding a yearlong "open-house" festival, inviting visitors from North America to sample its many exciting attractions. You certainly will want to be there.

Located in the heart of Southeast Asia, crescent-shaped Malaysia is bordered by Thailand on the north and Singapore on the south. To the east, separated by the South China Sea, are the states of Sarawak and Sabah and the friendly neighboring countries of Brunei and Indonesia's Kalimantan.

Blessed by a tropical climate that knows no season, apart from the monsoon period when rains fall at regular intervals, there is sunshine almost every day of the year, with temperatures hovering between 70 and 90 degrees Fahrenheit.

Here, nature is "queen"—untouched and unspoiled. Rushing freshwater streams, rain forests, mountain vistas, hill-station resorts, and palm-fringed white-sand beaches lapped by azure seas are but part of the natural beauty that visitors can expect to find here.

Natural parks, wildlife, bird and butterfly sanctuaries, river rafting, sailing, fishing, forest treks, and a two-day climb up Sabah's Mount Kinabalu reveal Malaysia's bounty to the naturalist and outdoor sports lover.

No wonder Hollywood chose Malaysia for the filming of the Rogers and Hammerstein award-winning musical "South Pacific." It was on the island of Tioman, re-



named Bali-Hai for the film, off Malaysia's East Coast, that nurse Nelly Forbush lost her heart to the handsome planter. If the movie had another heroine, it was certainly Bloody Mary, the lovable native woman with a kind heart and generous nature, so like the island's people still in residence there today.

Malaysia, a parliamentary democracy with a constitutional monarch elected for a term of five years, enjoys universal suffrage. Freedom and equality, won with independence in 1957, have been jealously guarded and preserved.

Today the country, with 16.5 million ethnically diverse and

racially harmonious people, enjoys one of Asia's most frequently applauded democracies and is singled out as an example to other emerging nations.

On the threshold of joining Taiwan, South Korea, Hong Kong, and Singapore, resource-rich Malaysia is tagged to become one of the Pacific Rim's economic "tigers."

American investment in Malaysia has been growing steadily since the early 1970s, contributing significantly to the country's industrial development. Industries in which U.S. investment has taken the lead are petroleum and coal; chemical products; paper, printing, and publishing; electrical and electronic products; and beverages and tobacco. Total U.S. investment in Malaysia ranked fourth, after neighboring Singapore, Japan, and the United Kingdom.

Enhancing the attractiveness of Malaysia as a place to invest is the openness of the economy. There are few trade barriers, and tariffs are, on the whole, relatively low. The foreign-exchange system, likewise, is extremely open.

And payments abroad, including repa-

*In 1990, Malaysia will be holding
a yearlong "open-house" festival.
You certainly will want to visit then
and sample Malaysia's many attractions.*



triation of funds and remittance of profits, are not restricted.

Malaysia's able management of the national economy has been applauded. The Fifth Malaysian Plan (FMP), launched in 1986 and re-examined in 1989, has established that the economy has strengthened beyond all previous expectations.

This has encouraged Prime Minister Datuk Seri Mahathir to renew his pledge to the nation that "the government will continue with its responsibility and commitment to ensure a conducive economic and political environment and to provide avenues for all Malaysians to participate and share fully the benefits of economic development and social progress."

An Asian Melting Pot

Like the U.S., Malaysia has benefited from the rich blending of the diverse races and cultures that have been part of its history.

As far back as A.D. 600, Chinese historians were referring to the Kingdom of Kedah on the Northwest coast of the peninsula.

By the 15th century, Malacca, further south, the seat of the Malacca Sultanate, was a thriving commercial center and regional power. Stories of its riches reached even the Portuguese, who conquered the territory in 1511, following a bloody siege.

But they were to hold it for only 130 years. In 1641, the Dutch defeated the Portuguese and ruled Malacca until 1824, when they ceded their interests to the English.

Great sailors as well as traders, the English had often provisioned their ships along the Malay coast. Their captains stopped long enough to visit the Kedah

Royal Court, Malacca, and Penang.

From that time onward, the English hold on the Peninsula Malay States increased. By the 1920s, they were all under British protection.

It is often said that the British colonization of Malaya was one of their happiest. Cognizant of the prize they had won, and thankful for its riches, they softened the yoke of colonial rule.

Nonetheless, Malaysian nationalism and the desire for self-rule were felt as early as 1930. By the time World War II ended, independence for Malaysia was a foregone conclusion.

The Federation of Malaysia was officially born Aug. 31, 1957. In 1963, the states of Sabah and Sarawak, in Borneo, were incorporated as full partners.

While the indigenous Malays are the

Tidbits For Travelers

If you are a U.S. citizen, traveling to Malaysia is no problem at all. A valid passport is all that most American nationals need for a stay of up to 14 days.

If you plan to visit Sabah or Sarawak, however, you will need additional permission from the respective immigration departments.

The Malaysian currency note is the Ringgit (Malaysian dollar), which is divided into sen; M\$1.00 equals 100 sen. The denominations in notes are M\$1, M\$5, M\$10, M\$50, M\$100, M\$500, and M\$1,000. There are approximately 2.7 Ringgits to the U.S. dollar.

All major credit cards are accepted by leading department stores, restaurants, hotels, airlines, and service establishments.

Language should not pose a problem. Although Malaysia's official language is Bahasa Malaysia, English is widely spoken as a second language.



backbone of Malaysia, the Arab, Portuguese, Dutch, and British traders were to leave their cultural mark. Later came the influx of Indians and Chinese, who were to contribute so much to the cohesion and future prosperity of the country.

This rich mixture of races and cultures

that will entertain you most with their hilarious antics.

As the sun begins to slide behind the forested peaks of Penang Hills, board the quaint funicular railway that claws its way to the summit. The temperature drops dramatically, and the view extends as far as distant Sumatra, Indonesia's largest neighboring island.

With nightfall, Georgetown glitters below like a precious jeweled tiara. Away to the south, the Penang bridge, Asia's longest, spanning the strait to the mainland, is ablaze with light. An engineering marvel, it symbolizes the connection between two worlds: one isolated and content, the



Malaysia



other pushing forward to the future.

Malacca: 600 Years Of Living History

Formerly a small fishing village located at the mouth of the River, Malacca owed its

rise as a great trading center to the fact that it straddled the all-important maritime route linking the Indian Ocean and the South China Sea.

As a harbor, it was much favored by Indian, Javanese, Arab, Chinese, and Siamese traders. It soon became such a profitable trading port that the Ming Dynasty Emperor of China, in 1408, initiated trade arrangements that brought even greater prosperity and prestige to the Malay Kingdom.

Unfortunately, Malacca's fame proved its undoing. Word of its riches soon reached the capitals of Europe, and a Portuguese trading expedition arrived on the



"Visit Malaysia Year" A Yearlong Festival

"Visit Malaysia Year 1990" is a yearlong festival of happenings, featuring hundreds of processions, thousands of dances, and millions of feasts. And you and your entire family are invited by the Malaysian government to share the excitement that will be generated by all of them.

Here are some of the breathtaking activities and events in which visitors will want to participate:

Visit Malaysia Year 1990 begins Jan. 1, 1990, with a grand welcoming reception that includes drums and colorful guards of honor.

On Jan. 22, it is the celebration of **Thaipusam**, at the Batu Caves on the outskirts of Kuala Lumpur.

This colorful Hindu festival, when devotees pierce their bodies with sharp objects and feel no pain, is filled with all the pagantry and excitement of Mardi Gras—and then some.

Chinese New Year, Jan. 27-28, is a time for feasting, firecrackers, lion dances, family reunions, and much, much more, when it is open house for visitors in true Malaysian style.

One of the most joyous occasions for

Malaysia's Muslims is **Hari Raya Puasa**, celebrated April 26-27. The month of fasting is over, and there are feasts and festivities almost everywhere.

Sabah and Sarawak's Harvest Festivals are happy occasions, and you should make a point of attending the bounty of colorful celebrations taking place May 29 through June 4.

The Chinese **Mooncake Festival**, on Oct. 3, and **Deepavali**, on Oct. 29, are lively happenings when celebrations are definitely in order.

In addition to the colorful festivals, there will be important international sporting, cultural, and handicraft events that will bring together participants from all over the world.

And if you are looking for an exotic convention or incentive destination anytime, think of fascinating Malaysia, rich in natural tourism jewels, boasting luxury resorts, first-class hotels, and an effective and efficient transportation and communication infrastructure.

This is Malaysia—one of the newest and most attractive convention and incentive-travel alternatives.

scene in 1509. From 1511 to 1795, when the British took over, Malacca was ruled by the Portuguese and Dutch.

When it was granted independence in 1957, it elected to join the Federation of Malaysian States.

In Malacca now, as it has always been, history is very much a living presence. Standing among the majestic ruins of the once-mighty Portuguese fortress, A Famosa, or the Dutch stronghold of St. John's Fort, brings to mind its turbulent destiny and the instrumental part it played in the economic affairs of the region. To commemorate its 600 years of history, a sound-and-light presentation has recently been completed, and it will dramatically bring to life the splendor of Malacca's colorful and exciting past.

While Old World Dutch architecture stands side by side with the remains of the original old Portuguese settlement, there also is a wooden replica of the Melaka Sultanate Palace.

Reflecting the strong Chinese influence and its intermarriage with the Malay culture is Bukit China (bukit is the Malay word for hill), where the first residences of the early Chinese community can be found. The hill was a gift from Sultan Mansur Shah (1458-1477) to his bride, Princess Hung Li Po, and her entourage of 500 ladies-in-waiting.

Some of the oldest Chinese relics existing in Malaysia can be found on Bukit China. So can the largest Chinese cemetery

outside China, containing tombs dating back to the Ming Dynasty.

Another relic of Malaysia's ties with China is the impressive Cheng Hoon Teng temple, the oldest Chinese temple in the country. Its gables and eaves are decorated with images from Chinese mythology, and ceremonial masts tower over the roofs of the surrounding houses. Inside, carved figurines of porcelain and glass welcome visitors, while a stone inscription commemorating the long-ago visit of Admiral Cheng Ho is yet another reminder of Malacca's historic past.

Malacca, celebrating 600 years of living history, is just two hours away from Kuala Lumpur by road and a mere 30 minutes by air. It is the place to browse for authentic antiques, and you will find the shops crammed with brass bedsteads, porcelain pieces, mother-of-pearl furniture, old charcoal irons, and other priceless items, all a legacy of Malacca's colorful historic past.

A Wide Choice Of Exciting Destinations

Malaysia's hill stations, so favored by the English for their cool and bracing air, are favorite resort retreats.

The largest of the hill stations, Cameron Highlands, discovered in 1835 by government surveyor William Cameron, was described by him as a "fine plateau with gentle slopes shut in by lofty mountains."

Land of verdant tea plantations, crisp mountain air, and peaceful jungle vales, it is here in the oak laurel rain forest surrounding Gunung Brinchang that you may meet up with the *orang asli*, the aboriginal tribes people who have inhabited the Malaysian hinterlands undisturbed for thousands of years.

Other popular hill stations are Genting Highlands and Fraser's Hill, easily reached by road from Kuala Lumpur.

It is Genting Highlands, just 60 minutes from the federal capital, that is known as Malaysia's Monte Carlo, boasting a "lady-luck" casino as well as superb all-season sports facilities, including the 18-hole, par-71 Awana golf course.

Fraser's Hill, built on seven hills, is said to resemble an English country retreat with manicured gardens, an excellent nine-hole public golf course, tennis courts, and everyone's favorite spot for an afternoon swim, the Jeriau Waterfalls.

Both Langkawi and Pangkor, two islands off Malaysia's west coast, are get-away-from-it-all paradises, offering tropical blue seas, white-sand beaches, swaying palms, and a range of accommodations from the most luxurious to simple beach-site cottages.

Taman Negara National Park, straddling a range of mountains in the heart of Peninsular Malaysia, has been designated as a preservation area for the country's flora and fauna. Set in a heavily forested region, the park, reached by river craft from Kuala Tahan, provides vistas of lofty

peaks, green-canopied valleys, and streams of pure crystal.

For the visitor, Taman Negara offers jungle treks to observe the wonders of nature, fishing in well-stocked river pools, boat and river rafting expeditions, and outdoor living at its best.

Malaysia's Fascinating East Coast

From Kuantan to Kota Bharu in the north, near the Thai border, Malaysia's East Coast is a series of unspoiled beaches. Here, the traditional skills such as fishing, boat making, and village handicrafts have been maintained.

Until the early 1970s, the states that

the sea once the tiring task has been completed.

At Mersing, there is a daily launch that will ferry you to the Bali-Hai island of Tioman. Covered with jungle and quite mountainous, it boasts idyllic white-sand beaches, crystal-clear waters abounding with coral reefs, and accommodations ranging from modern luxury hotels to simple bungalows.

Johore Bahru, the southern gateway to Peninsular Malaysia, is connected by causeway to Singapore, and, in addition to being a thriving commercial center, it is the site of many of the country's rubber plantations.



make up the East Coast region were relatively isolated, and this helped preserve the age-old crafts—Pahang's gold and silver brocades, Terengganu's copper works and mat weaving, and Kelantan's famous batiks and ornamental kites.

Halfway down the coast is Kuala Terengganu, the capital of the state that bears the same name.

Once a small fishing village, the city is the gateway to another two of Malaysia's paradise islands, Pulau Perhentian and Pulau Kapas, both ideal for swimming, fishing, and snorkeling.

And nearby is Rantau Abang, where the giant leatherneck turtles come ashore once a year to lay their eggs, returning to

Sabah And Sarawak: Your Gateway To Adventure

Sabah and Sarawak, the two states on the island of Borneo, sharing the border with Indonesia's Kalimantan, are your gateway to adventure.

Here, in East Malaysia, definitely a destination for the adventure-minded, not only is all this possible, it is recommended.

Both states have large hinterlands of green forests, long road and river journeys, and colorful native culture and handicrafts. There are enough natural attractions to excite the most ardent explorer. And for those less-dedicated adventurers, there are other activities just as fascinating.

In Sabah, there is Mount Kinabalu, in the Kinabalu National Park. Any man, woman, or teenager in good physical condition can make the climb using established trails and the services of a guide.

The trek to the summit takes two days and traverses a forest teeming with wild orchids, butterflies, and birds. Reaching the highest point, at Low's Peak, there is a breathtaking view at sunrise that overlooks almost all of Sabah.

In Sarawak, the Niah Caves in the Niah



Malaysia



National Park are definitely one of the wonders of the world.

In 1958, a curator of the Sarawak Museum, digging in the floor of the caves, uncovered a human skull. It was an astonishing find and established the fact that as early as 40,000 years ago, mankind's ancestors were living in Southeast Asia.

Further diggings unearthed stone, bone, and iron tools and Chinese porcelain. Putting all this evidence together, anthropologists concluded that the people, called Niahian, had lived in the caves from 40,000 B.C. to A.D. 1400. The artifacts and the cave drawings, which still can be seen today, also showed they had their own culture and beliefs. One of these beliefs was that when a person died, his remains would be carried away on a funeral boat to the kingdom beyond.

In the 1400s, the Niahians mysteriously disappeared. Where they went remains unexplained, but one theory has it that they survive as the Punan tribe now living in Sarawak.

In Punan lore, there is reference to ancestors who lived in large caves, and some of the tribal elders can still remember the time when the rites of the funeral boats were performed by the tribe.

The Niah Caves are the main attraction at the Niah National Park. The Great Cave alone covers an area as large as 13 football fields. And from the floor of the cave to the roof, there is room for a giant tropical tree to spread its shoots.

But there are other attractions in both the Niah and Gunung Mulu National Park to interest you. Sarawak is rich in wildlife, with more than 550 species of birds, barking deer, wild boars, honey bears, gibbons, crocodiles, lizards, snakes, and, of course, the red-haired orangutan, chosen as the official mascot of the Visit Malaysia Year 1990.

Nicknamed the "Wild Man of Borneo," the arboreal anthropoid ape, or orangutan, now almost extinct, is a protected species. And one of the highlights of a visit to Sabah is the trip to the only orangutan sanctuary in the world.

In Sarawak, a Skrang River Safari is a must if you want to visit one of the Than longhouses. These community dwellings, built on stilts overlooking the river, are made of ironwood and roofed with palm fronds or ironwood shingles.

All the rooms (known as doors), each one housing a family, are side by side, facing a long communal hall used for all the leisure activities, such as wood carving and basket weaving, in which everyone takes part.

The Ibans are a truly hospitable and friendly people, welcoming visitors and encouraging them to join in their festivities. One of these, the harvest festival called

"Gawai Dayak," will be celebrated for seven days, May 29 to June 4, 1990. It's a happy time reserved for family reunions, dances, games, and feasting in all the longhouses, and as a guest of Visit Malaysia Year 1990, you will certainly be welcomed.

In Sabah, known as "The Land Below the Wind," the end of the harvest season is celebrated in grand style, particularly by the Kadazans and Dusuns ethnic groups. To be held May 30-31, 1990, the all-important festivities include feasting, buffalo races, traditional games, cultural performances, and agricultural shows.

Kota Kinabalu, Sabah's capital and the gateway to eastern Malaysia, boasts a floating sea-gypsy village, and just off the Western shore is the Tunku Abdul Rahman Park. Composed of a grouping of five islands, each one a treasure trove of white sandy beaches, set in the sparkling clear waters of the South China Sea, abounding with exotic corals and tropical marine life, they are considered to be one of the best diving grounds in the world.

But if you are looking for the kind of romance encountered in an epic best-seller, the story of the English adventurer James Brooke, the White Rajah of Sarawak, will certainly fill the bill.

In 1839, this swashbuckling captain of an English frigate helped the Sultan of Brunei quell a local rebellion. As a reward for his services, he was made ruler of Sarawak, a post he and his descendants held until after World War II, when Sarawak became a British Crown Colony.

In Kuching, the capital of the state that joined the Federation of Malaysia in 1963, at the same time as neighboring Sabah, you can visit the majestic palace built in 1870 by Rajah Charles Brooke, the second White Rajah, as a bridal gift for his wife.

Here in Kuching is also the Sarawak Museum, containing one of the finest collections in the world of Bornean ethnological and archaeological artifacts.

Both Sabah and Sarawak are easily reached by Malaysia Airlines and other international carriers.

For More Information

For help in planning your "Visit Malaysia Year 1990" holiday, contact any of these offices of the **Tourist Development Corporation of Malaysia** or **Malaysia Airlines**:

Los Angeles

Tourism Development Corp. of Malaysia
818 W. Seventh St., Suite 809
Los Angeles, Calif. 90017
Tel: (213) 689-9702
Fax: (213) 689-1530

Malaysia Airlines (MAS)
5933 West Century Blvd., Room 505
Los Angeles, Calif. 90045
Tel: (213) 642-0849
Toll free: 1-800-421-8641

Chicago

Malaysia Airlines (MAS)
919 N. Michigan Ave., Suite 1900
Chicago, Ill. 60611
Tel: (312) 943-0925

New York

Malaysia Airlines (MAS)
420 Lexington Ave., Suite 2044,
New York, N.Y. 10170
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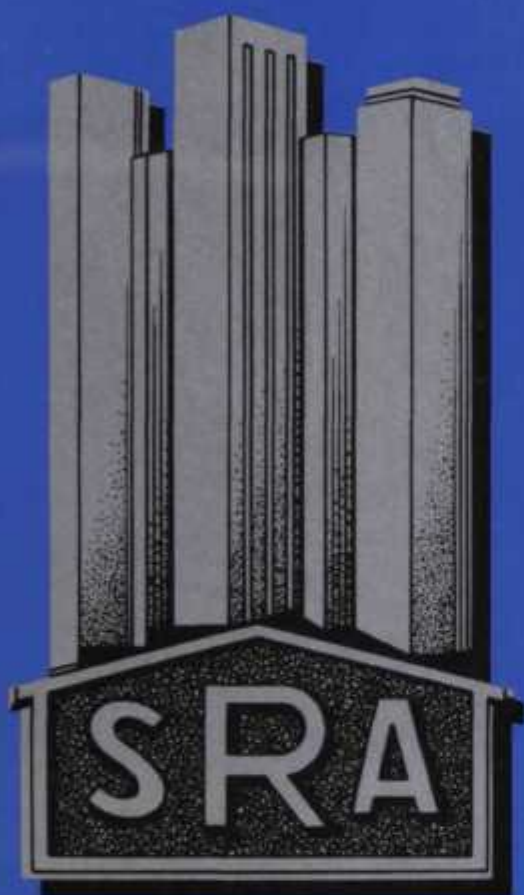
San Francisco

Malaysia Airlines (MAS)
360 Post St., Suite 603
San Francisco, Calif. 94108
Tel: (415) 738-0555

For information about investing in Malaysia, please contact:

Malaysian Industrial Development Authority (MIDA)

Wisma Damansara
Jalan Semantan, P.O. Box 10618
50720 Kuala Lumpur, Malaysia
Tel: (03) 255-3633
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No Detail Too Small

By Paulette Dininny

Lunch had been served. The speaker had been introduced. The audience was listening. Then someone spotted the balloons drifting across the hotel ballroom, capturing the eye of first one person, then another. A titter spread through the crowd as everyone watched the colorful cluster of helium-filled balloons glide above the now-forgotten speaker.

After some time, the balloons were snared, and the speaker regained everyone's attention. But the distraction could easily have been prevented. Earlier in the day, the person who had planned the luncheon had seen the balloons—left over from a previous event—floating near the ceiling but had not thought to ask the hotel staff to remove them.

The incident was a reminder of the importance of taking care of every detail when planning a business meeting. Whether the meeting's purpose is to sell, or inform, or praise, or exhort, a key factor in attaining the objective and avoiding pitfalls is to make sure the meeting is well planned and that every logistical detail is managed carefully.

A company's meetings are reflections of its owners' and managers' professionalism, organizational skills, and creativity. Good meeting-planning skills can be a boon for those active in business and community organizations. Running a successful meeting may translate into raising a company's profile, spotlighting a good organizer, improving communications within a firm, or increasing profits. A firm that ignores the link between the quality of its meetings and the level of its sales figures can see them both decline.

The company whose luncheon speaker competed with the balloons was a political-research firm that spent tens of thousands of dollars every year on meetings for clients, yet it never developed a systematic approach to organizing the sessions. The now-defunct firm was beset by repeated planning mistakes, such as the time one of its speakers was drowned out by a choir singing on the other side of a divided ballroom.

Regardless of a company's size, its

Paulette Dininny is a Washington, D.C., journalist who has covered many badly planned meetings.



ILLUSTRATION: ANNE LUNDSTROM

meetings—whatever their size—can run smoothly if they are organized in accord with guidelines suggested by professional planners:

Define your goal. Decide what the meeting should accomplish—whether it should raise morale, sell a product, raise money, make a profit, or lead attendees through 50 pages of a new training manual.

Paul R. Henning, founder of Conference and Logistics Consultants, of Bethesda and Annapolis, Md., says some planning time generally is taken up "in working out emotional and philosophical differences and dealing with internal politics" among those involved in setting the agenda for a meeting. To have a successful meeting, everyone must move toward the same goal.

Decide who will handle the planning. Many managers depend on secretaries or other employees to handle the logistics of a meeting. Unless they have meeting-planning experience, they may not be able to avoid all of the potential pitfalls. Often, in small and medium-sized businesses, planning the meeting is not the primary job responsibility of the person assigned to do it.

Gary Funderlich, an international-operations specialist with Systems Center, a Reston, Va., company that designs systems software and has more than 450 employees, was assigned to

A well-run meeting can boost a firm's profile—or even its profits. Here are tips from professionals on how to do it right.

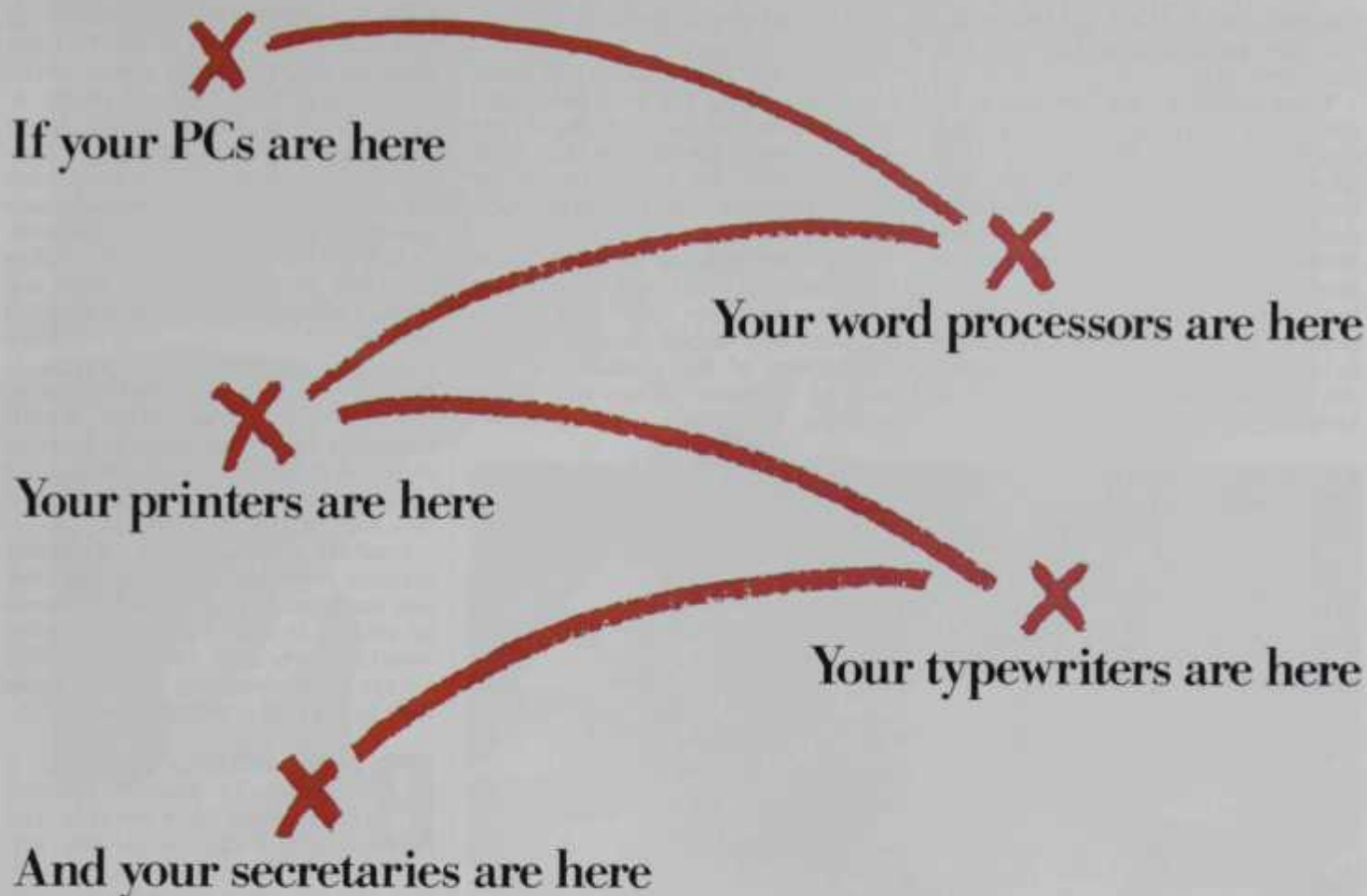
plan his firm's annual product and sales-training meeting.

"It was a scary prospect," he says. "My experience with hotels was limited to checking in and out and knowing that at some point you are expected to pay the bill. I certainly didn't know where the secret hall was from the meeting room to the kitchen, or the job titles of various hotel employees."

Take nothing for granted. Joyce Aicklen, a secretary at Lafarge Corp., a cement manufacturer, plans meetings for the company's Reston, Va., corporate staff—sessions of 25 to 35 people. She tells of a Dallas hotel that had received her written instructions for menus, times, and rooms and yet forgot to clean the suite and prepare the coffee for a scheduled coffee break. "To make up for it," Aicklen says, the hotel promised to "include a complimentary cheese tray for the afternoon break. But that was not done either."

"People are beginning to understand meeting planning is not 'winging' it any more," says Sarah Cooper, president of Sarah Cooper Associates Inc., a Washington, D.C., management firm that plans conferences and events. "Now, much more is expected from meetings. They must be well run and well organized."

Cooper warns that attention must be paid even to details such as how close



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COMMUNICATIONS

together attendees are seated so that they can see, take notes, and otherwise participate fully.

Write a "battle plan." Determine the steps to be taken, the jobs to be done, and their sequence, Henning says. And allow plenty of time to have the tasks completed. Rush jobs and last-minute deliveries cost more. On the other hand, Henning says, early planning can give you more negotiating leverage with a hotel, which can mean a better choice of meeting rooms, complimentary rooms, or better meals. Henning also suggests you read the hotel's contract closely to avoid paying cancellation fees.

pare regular written updates, and send copies to superiors."

This results in built-in circuit breakers. If something has been overlooked or misunderstood, the existence of clear notes improves the chances that someone will catch the potential snafu before it is too late. Feedback is critical in planning.

Get everything in writing. Write checklists—even for supplies such as scissors and paper clips—and keep a notebook with tabbed sections for various aspects of the planning process, such as contacts' names and phone numbers, the agenda, a list of attend-

schoolroom-style arrangement is or how long a meeting room can be used. Find out, too, what other groups will be in the hotel during your meeting, to determine their possible impact on—or conflict with—your meeting.

Especially important for new meeting planners is to have a preconference meeting with hotel or conference-facility staff members. Hitches and glitches often can be spotted during such sessions. Planners should check all hotel paperwork carefully, making sure there are no typographical errors in matters such as the number of rooms, the meals, times, and other details. Know the hotel's deadlines in order to avoid cancellation fees or charges for sleeping-room guarantees. Give the hotel a copy of your final agenda.

Conduct a post-mortem. Evaluation sessions reinforce successes, and they also can point out mistakes that should be avoided in future planning. Professional planners do it, and they say they always learn something that will make their next event even more successful.

Besides achieving your goal, a successfully planned meeting can produce other rewards. You may find that employees who can plan effective and successful meetings also can apply the same organizational and problem-solving skills to future business problems. They may show themselves to be worthy of promotion or capable of handling new challenges.

For more information: Several organizations and publications are available to assist novices as well as professionals in planning meetings.

Convention and visitors bureaus can supply information on hotel accommodations, transportation, calendars of events, and meeting facilities. Various planning firms, rental services, and other resources are listed in the Yellow Pages under "Convention Services and Facilities." Some larger hotel chains have workshops on planning meetings.

Meeting Planners International, a Dallas-based membership organization for professional planners—with local chapters listed in telephone directories—can be reached at (214) 746-5222. Its magazine, *Meeting Manager*, is available for \$35 a year.

Two other publications can be helpful for meeting planners: *M&C*, published by Murdoch Magazines, 500 Plaza Drive, Secaucus, N.J. 07096; 1-800-932-0017, and *Meeting News*, available from Gralia Publications Inc., 1515 Broadway, New York, N.Y. 10036; (212) 869-1300. ■



ILLUSTRATION: ANNE LINDSFORD

Be flexible. "Planning for a meeting is never a straight line," Henning says. "It's a zigzag path to the goal." Examine the status of the meeting plan regularly. Needs can change. Developments in an industry that occur after planning has begun may be more important to address.

Be thorough. Henning advises that you "do a walk-through of the meeting space or hotel," he says. "Think through where the bottlenecks will be, where the most people will be in the smallest space for the shortest time." This process, for example, can prevent jam-ups at registration tables or hotel check-in desks.

One professional meeting planner routinely tapes an extra bulb to a projector. Be certain that various pieces of equipment are compatible with one another if they must be used together. A good planner always knows where all the light switches are located. Think details, details, details.

Keep clear notes. Throughout the planning process, you should "create a paper trail that someone else could follow if necessary," Henning says. "Pre-

ees, menus, contracts, vendors, and any other important details.

Establish a good rapport with staff members. Get to know those on the staff of the hotel or other facility where your meeting is to be held.

Annmarie Pittman of Courtesy Associates, a Washington, D.C., conference and convention-planning service, says: "You are only as good as they are, and ultimately you're the one responsible for your group. It should be a team effort."

Pittman strongly advises that novice planners begin working with hotel or conference-facility staff people as soon as dates are made final. Remember, it's in their interest, as well as yours, that your meeting goes well. Obtain a list of key staff members' names and telephone numbers and consult with them often.

"Communicate as clearly and succinctly as you can with the hotel so there will be no surprises," Pittman advises. "Keep them informed of changes that need to be made." And don't be reluctant to ask what you might think are "dumb" questions, such as what a

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COMMENT



ILLUSTRATION: GARY YEALMALL

Games In The Office

There is now a regular feature of computer games: a panic button that throws a spreadsheet on the screen, in case the boss walks by. This tells you something about the status of games in the office.

Games deserve more credit than that, however. They may be able to help you with new users. We're not advocating organized time wasting, of course, but familiar games like chess or battleship on personal computers might actually help office efficiency.

In organizations that have computers, the most eager users have already jumped in and made computers their own. Today's new users are far less secure about, if not downright frightened of, these machines. They may need a nonthreatening bridge to the computer environment. Games can provide such a bridge. You are familiar with newcomers' fear: the sweaty

hands and frozen stare that announce their terror at breaking or losing something. But games are not serious; if you lose something, it's only, well, a game.

With games, says Charles Leedham, president of Manhattan Software, in Peterborough, N.H., "You certainly familiarize yourself with the computer and find that you can interact with it."

Bing Gordon, general manager of product development at Electronic Arts Studios, another games maker, in San Mateo, Calif., says resistance to computer games in a professional environment may stem from the concept of "playing on a thinking machine." Gordon says many managers are reluctant to admit they enjoy computer games because it just isn't serious business. "It's our puritanical heritage," he says. "It's always been frustrating for computer-marketing specialists."

But if new users are allowed to play a little, knowing that no disaster will overtake company files or sensitive information if they hit the wrong button, they might well become familiar with how these machines work far more quickly than otherwise.

ANSWERS

How Much Should A System Cost?

A. M. Larimer, president of The Fire House, a Newark, Ohio, distributor of equipment for fire departments, asked us about small-business accounting systems on computers. The Fire House is typical of many small-business operations: about \$700,000 in annual sales, an inventory of 6,000 items, 300 accounts receivable, 150 accounts payable, 25 cash transactions daily, and 15 to 20 telephone or mail orders a day. Larimer has received quotes of \$5,000 to \$15,000 to go from his manual system to a computerized one, and "that seems like too large a variation."

These days that really is too much for what The Fire House needs, says Charles Cline, owner of Universal Computer Systems, in Martinsburg, W.Va. Since The Fire House already is using a manual One Write accounting system, "they could go to the computerized version, One Write Plus—it's just a matter of learning about eight keystrokes," Cline says.

Working with a small dealer like UCS, The Fire House could pick up a decent basic computer with a 30-mega-byte hard drive, a printer, and a monitor for about \$2,000.

Classes are usually available from the local dealer; Cline offers computerized accounting courses for \$35 an hour, and he says five hours of training should be sufficient for employees as qualified as Larimer's.

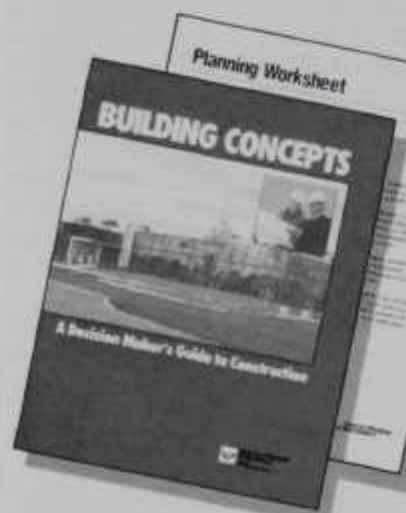
One Write Plus is available by mail order. It recently underwent a price reduction to \$299 retail for general ledger, accounts receivable with invoicing, and accounts payable.

More sophistication and more specific tasks can raise the cost. Russell Micheli of Thurston Manufacturing Co., a Providence, R.I., maker of specialty saws and knives, asked us what average cost-to-sales percentage a company should spend on a new manufacturing computer system.

"The cost of goods is not the measure," says Marsha Lewin, president of Marsha D. Lewin Associates, a Los Angeles computer-management consult-

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ing firm. A better way to think of a system, says Lewin, is "not necessarily to monitor costs, but to improve the process." The best things to computerize in manufacturing are inventory, job costing, and accounting. "If you have three people for inventory now, then you're going to have improvement because the labor cost may be \$100,000 now, but will drop significantly. The system itself, up and running, will probably cost \$100,000 to \$175,000 for a minicomputer system; \$75,000 for a micro."

Micheli also asks if there's a way to break down costs between hardware and software.

Lewin says: "Figure \$1 to \$2 per dollar of hardware cost for software and implementation. If it's a big job, you should probably multiply the hardware cost by four to get a realistic picture."

We'll Try To Help

If you are stumped by a small-business computing question, we might be able to help. We will answer questions in this column that we think will apply to a number of other business people.

Send your questions to: "Small-Business Computing," *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062.

DATABASES

When Is Flat OK?

Anyone who runs a business of any size and has a personal computer will have a database program. There's no better tool for managing mailing lists, customer histories, and any of hundreds of other categories of information.

Database programs can be scary—especially when you get to the kind of full-featured "relational" ones with programming language, like dBase IV or R:Base for DOS. But databases are what personal computers do best. They can keep huge quantities of information and search through the pile quickly in as many ways as you can think of to ask them. And so useful a resource ought to be widely available.

Until recently, "flat filers"—database programs that put all the information of one type in one file—were limited by the machine itself. If you wanted to compare information in two different files, forget it. You had no choice but to use a relational program.

Now, however, the flat filers are catching up. Two of the most popular are Professional File 2.0 from Software Publishing Corp., and Q&A from Symantec. They are quite similar in what they can do—even to looking up information in different files when you want to perform a search.

Which of the programs you want to use depends on your circumstances. Q&A includes its own writing program, so that if you want to use mail merge to send personalized form letters, you can go right to it. Professional File, although it has a cheaper list price, does not include the writing program—you have to buy that separately.

Q&A's Write is a dandy program in itself. It's relatively simple to use, and it would serve very well as a word processor of choice, even without the database. Q&A also offers you its "Intelligent Assistant," a sub-program that theoretically allows you to ask for reports from your data in plain English. Well, yes and no. The Assistant sometimes seems more Dumb than Intelligent, and you can do a better, quicker job without its help.

With Professional File you get more attractive screens and a better on-line help file. It also performs several functions better than Q&A (for example, you can type in all the digits of a phone number, and Professional File will format them; Q&A won't).

Professional File's answer to Q&A's Intelligent Assistant is what it calls a programming Auto-Pilot. This feature allows you to create programs that specifically answer your business's needs without paying for professional database programming.

Q&A is \$259.95 list, and Professional File is \$209.99 list, widely available at significant discounts.

—Ripley Hotch



ILLUSTRATION: GARY TEALHALL



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PERSONNEL

Read This Article IMMEDIATELY

Procrastination may be cutting into your firm's profits. So don't put off reading this advice on how to eliminate it.

By Ellen Mansoor Collier



PHOTO © SHOOTING STAR

Scarlett O'Hara (played by actress Vivien Leigh) said of her problems: "I won't think of it now, ... I'll think of it tomorrow."

Like the heroine of *Gone With the Wind*, most of us have found ways to put things off. Some of us do it occasionally. Some do it consistently.

A task confronting us may be complicated, overwhelming, or carry a risk of failure. We may be bored, or tired, or distracted by personal concerns. It's easy to assure ourselves that we'll think about it tomorrow.

Occasional procrastination on relatively minor matters might have little effect on a business. But when deadlines are missed often and projects are unfinished, a company can lose opportunities, clients, and revenue.

"To discourage procrastination, you have to start with yourself and lead by example," says Robert C. Weber, regional manager of the Dallas office of S.T. Hudson International, a nationwide consulting engineering firm. "If you don't act promptly on business matters, how can you expect your staff to follow suit?"

Through managing consultants and engineers in time-sensitive projects over the years, Weber has acquired extensive experience in spotting the circumstances that can cause or signal procrastination in the workplace, and he has devised strategies and guidelines for preventing it.

Open communication is the key to handling procrastination problems tactfully, Weber says. "At the first sign of procrastination, it is the manager's re-

Ellen Mansoor Collier is a free-lance writer in Houston.

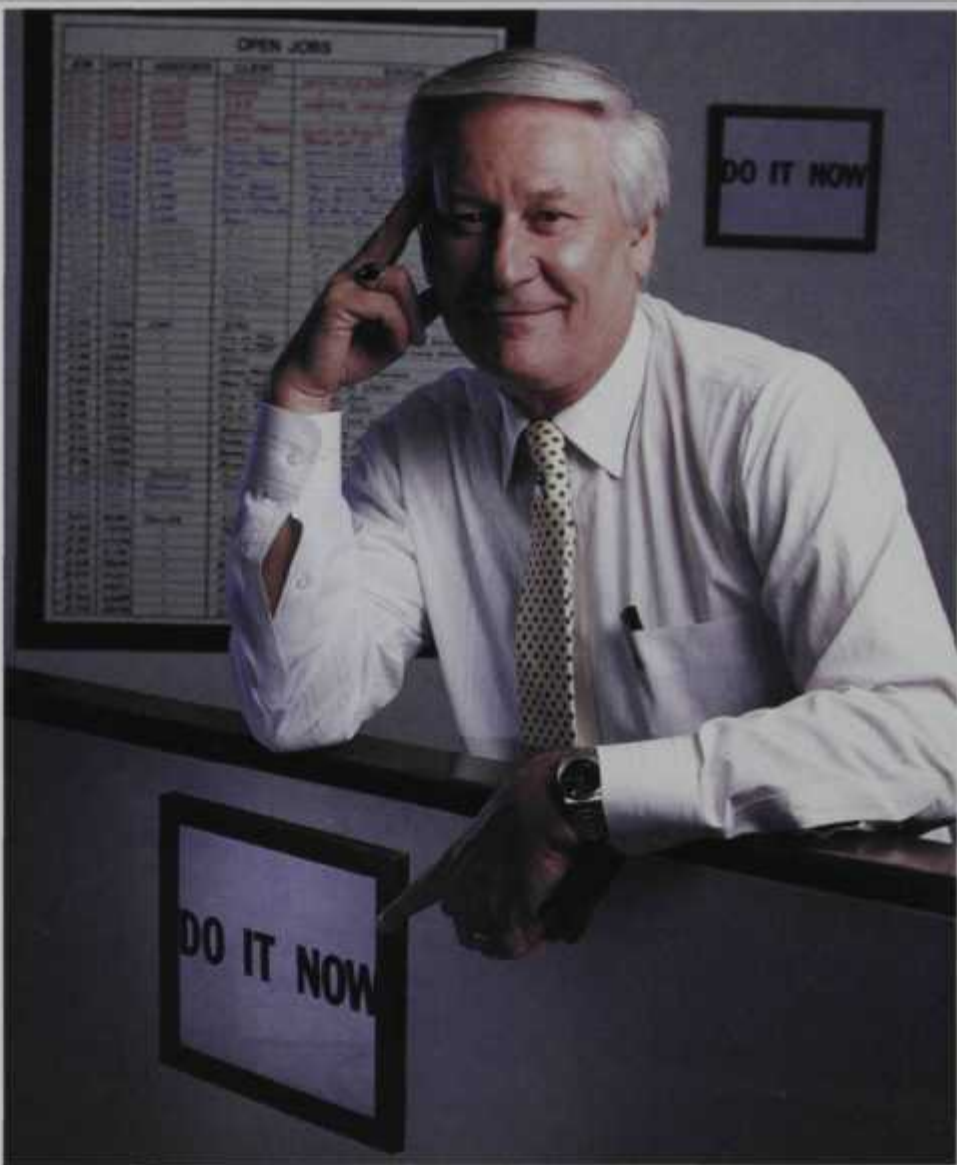


PHOTO © CHARLES THATCHER

"Act promptly on business matters" to set an example for employees, says manager Robert C. Weber. His wall chart alerts him to "late or delayed projects."

sponsibility to counsel the employee, to point out clearly the effect procrastination has on the office, department, and company. It's necessary to stress that minor delays, if they persist, lead to more chronic and serious procrastination, which is not good for the business and cannot be tolerated."

According to Weber, "There's nothing more effective than developing a team spirit and encouraging some friendly competition between co-workers." He oversees the work of 34 con-

sultants for S.T. Hudson. The Philadelphia-based firm's more than 300 professionals specialize in forensic engineering, investigating occurrences such as fires, floods, accidents, and general claims for the insurance, legal, financial, and construction industries. Weber receives weekly progress reports from the engineers on his staff, detailing which projects are moving well and which are late.

To keep staff members alert to deadlines, Weber has posted a large wall

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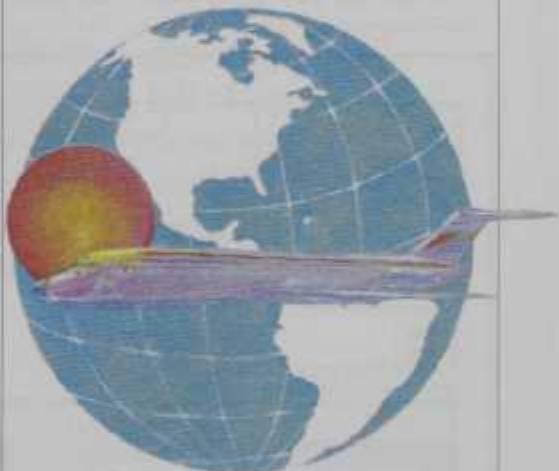
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PERSONNEL

chart—"conspicuously positioned in the office for the staff to see"—listing all incoming projects, the assigned consultant or engineer, the date the project was received, and the current job status. "If the report is overdue, everyone knows who's responsible," Weber says. "The chart also alerts me to late or delayed projects. That prompts me to see the associates and inquire about their progress."

In the book *The Now Habit* (Jeremy B. Tarcher Inc.), Neil Fiore, a psychologist at the University of California at Berkeley, writes: "To work effectively with procrastinators—and that means most people—managers must keep in mind the three main issues that are at the bottom of most procrastination problems: feeling like a victim, being overwhelmed, and fear of failure."

Fiore continues: "Successful leaders and managers address these problem areas by communicating in terms that elicit commitment rather than compliance, by focusing on manageable objectives rather than on overwhelming expectations, and by providing praise for steps taken in the right direction rather than just criticizing mistakes."

What can you do to deal with your

staff procrastinators successfully? Here are a few techniques that have worked well for others:

Define the problem. Determine the reason for delay and what you can do to help. If a consultant's job is late, for example, Weber typically asks: "How can I help you to get your work done today? What assistance do you need?" Don't criticize the individual.

List priorities and goals. As you assign new work, explain clearly to your employees the order of importance of the tasks entailed and the significance of each task. Give specific goals for each task. Workers who are bombarded with projects may tackle the least important job first, simply because it's the easiest to complete.

Set reasonable deadlines. When planning a schedule, keep in mind the amount of time realistically needed to finish a job, including possible crises and obstacles. After discussing and agreeing upon deadlines with employees, give them the deadlines in writing.

Divide work into manageable units. Sometimes people procrastinate because an assignment is so large that it appears overwhelming. Break a project into pieces, or "phases" of complexity, and treat each as a smaller piece of a larger puzzle. Instead of assigning a

major job to only one person, delegate each section to qualified people on the basis of their skills.

Offer assistance. If an employee seems bogged down on a particular aspect of a job, you may have to offer some backup help. A worker may fear appearing incompetent if he or she asks for assistance. A part-time or temporary assistant could be hired to handle lesser chores. A too-heavy workload may cause even a star performer to produce less-than-stellar results.

Ask for feedback. During a long and complex project, keep in touch with the key people through formal meetings, casual conversations, or both. These exchanges can reinforce the importance of the project and allow you to foresee and possibly forestall potential mishaps. In a larger company, associates in a department with a slack period could help out in another department during its busy time.

Criticize constructively. Encourage employees with positive statements to stimulate—not stifle—their creativity. Don't insult or blame them for delays; work to increase their enthusiasm and self-motivation.

Practice what you preach. Complete your own duties quickly and efficiently. Pass on work submitted to you as soon as possible to customers, clients, and your supervisors. If you're famous for scheduling all-night work marathons and typically postpone deadlines until the last minute, you won't have any credibility with your staff when you try to cure procrastination in others.

Initiate a private meeting. If you can't find the reasons why an employee procrastinates, it may be time to hold a heart-to-heart discussion. The employee could be unhappy or bored with work. Family or other personal problems could be factors. Adding challenging responsibilities or switching the employee to a new position may resolve the problem. Before you conclude an employee is hopeless or inept, give that person the benefit of the doubt.

Praise and reward employees. When a project is completed, praise your staff members if they've done an outstanding job. An employee who has worked a lot of overtime may be rewarded with a few extra days of paid vacation or perhaps a salary bonus. An exceptional performer may deserve a pay increase and promotion. An award or a citation in the company newsletter would also encourage other employees to perform at peak levels. A few words of praise and appreciation given to your staff now can result in consistent, quality performances in the future. **MB**



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Fair Pay In Family Firms

By Sharon Nelton

If it's not handled carefully, compensation in a family business can become a source of acrimony, both among family members and between family members and nonfamily employees.

When handled with finesse, however, compensation can serve as an incentive for all.

At a recent family-business conference, one business owner recounted how angry his daughter had become over the fact that her older brother earned more than she did. She oversaw manufacturing and was on a flat salary; he managed sales and worked on commission. When sales were especially good, so was his pay. "She feels there's an inequity," said the father.

When dealing with children, family-business experts offer one major rule: Remember that fairness and equality are not necessarily the same.

Some business owners try to avoid friction among children by paying those working in the business equally or giving equal amounts of stock to all children whether they work in the business or not. But the result is not likely to be fairness, experts warn. More experienced or harder-working offspring will resent those who aren't as productive but who are paid the same. And stockholders inside the business will resent siblings outside who share in the appreciation of the company without contributing to its growth.

Five sons of the third generation are working at Maxalea Nurseries Inc., a 40-employee landscape-contracting company owned by brothers Jack and Don McWilliams of Baltimore.

The sons are paid according to longevity in the business and the "value of and production of what they put into the business," says Sue S. McWilliams, Jack's wife and corporate secretary-treasurer. She points out that the oldest "child" in the business is 32, and the youngest, who works part time, is 20 and in college. With that spread of ages and experience, she suggests, equal salaries would not be appropriate.

The McWilliamses have extended their attempt to balance fairness and equality to their estate plan. Jack and Sue have only one child, John E. Williams Jr., 24, a Maxalea landscape designer. Don has four sons in the compa-

ny and two daughters who have chosen careers outside it.

John will inherit his father's half of the business assets, and his four male cousins will inherit the other half. But the family is setting up different classes of stock with voting and nonvoting rights so that control of the company will be divided equally among the five. "John will inherit his share of the assets, but he will not have 50 percent of the control," says Sue McWilliams.

The estate plans call for Don's daughters to receive assets outside the company, allowing control of Maxalea to remain with those who work there.

The McWilliamses do not see fairness of compensation between family and nonfamily employees as an issue yet—only family members are managers; other employees are at lower levels.

Here are some guidelines for families who are concerned about fairness for both family and nonfamily employees:

Don't overpay your children. Before the 1986 tax-reform act, the tax code tended to encourage family-business owners to shift wealth via hefty salaries to younger family members, whose tax rates were lower. Since tax reform, flatter tax rates have reduced the advantages of such shifts. Still, some families pay offspring too much, says Ross W. Nager, a tax partner in the Houston office of Arthur Andersen & Co., an international accounting and consulting firm.

Paying a 15-year-old \$20,000 a year or a 21-year-old \$100,000 tends to keep a child from developing a work ethic and improving the company, Nager warns. "I would recommend, especially at the lower levels, that the children be paid properly for what they're doing," he says.

Pay according to value, not according to need. Resist the temptation to pay Paul more than Mary because he has five children and she has none. "That plants too many seeds for discontent," warns David M. Morris, president of Franklin/Morris Associates Inc., a Baltimore consulting firm that specializes in insurance and compensation. He recommends that salaries be based on objective criteria so that children understand the value of their own services and so nonfamily members don't feel that family members are re-

ceiving special treatment. For example, if all the other salespeople in the business are on a commission, use the same commission structure for family members who are salespeople.

Be alert to the symbolic impact of perks and lifestyles. Morris recalls a company where the best parking spaces were set aside for family members. There were no other reserved spaces. "Every day, as nonfamily employees walked in and out, there was this 'holier-than-thou' attitude that was thrust in their faces," he says.

Nonfamily employees will give family members some "breathing room," taking the attitude that it's natural for family members to be better compensated, observes Morris, but flaunting special treatment creates ill will.

Use the business only for business compensation. If you want to give nice trips or other amenities to children or grandchildren, make them straight family gifts, Morris advises. Don't pay for them out of the company.

Make fair compensation before distributing stock dividends. "If a family member really is deserving of a salary of \$100,000 a year," says Morris, "pay him \$100,000. Don't pay him \$80,000 and say, 'Oh well, he's going to get something out of the distribution,' because he will get something that is diluted by the other people's shares."



PHOTO: T. MICHAEL KEZA



Length of service and value to the business are among the criteria used by the McWilliams family to determine compensation at Mazalea Nurseries Inc., in Baltimore. From left are Jack, Sue, Don, and four members of the third generation: Steve, Dave, Michael, and Jim.

Compensate children who work in the business differently from children who do not. Ross Nager cites the example of a child active in the business who owns 25 percent of the stock and a sibling outside the business who owns the same amount. "The active one may view himself as being a major contributor to the success of the business while his sibling is getting the same equity benefit from it. That causes acrimony."

If possible, you may want to follow the example of the McWilliams family and plan to transfer nonbusiness assets to children who are not working in it. If all of the family's assets are tied up in the business, consider recapitalizing the company into voting and nonvoting common stock, Nager suggests. Give the voting common stock to the children active in the business and the non-voting stock to those who are not. "That way, while they will share equally in the profits of the business, at least the ones who are managing it don't have to go to their siblings to get approval of the initiatives that they want to take," Nager says.

Recognize that you may have to

pay more cash for both family and nonfamily employees than a publicly held company might. "Public companies have a lot of different ways to compensate employees, such as stock options and actual stock awards," Nager says. Most privately held companies want to keep the stock in the family, he says. "So if they want to hire an outsider to be a top officer of the company, they most likely would have to pay a higher cash compensation because they can't offer him stock ownership."

The prospect of better benefit packages and stock ownership may even tempt your children to work in a public company. There's a cost of getting family business stock to your children, says Nager—if you give it to them during your lifetime, there may be gift taxes to pay; if you sell it to them, they have to come up with the money to buy; if you leave it to them in your will, there will be estate taxes.

Some companies use "phantom stock" to reward key employees. "It doesn't really exist," Nager explains. "It is a compensation arrangement

which effectively says I am going to play like I'm giving you X shares of stock. If the stock pays a dividend, then I'll pay you additional salary equal to the dividend. If the value of the stock goes up, then at some point—usually when you leave the employ of the company—I will pay you that increase in value as a bonus." Ownership and control, however, stay with the family.

Find out what key nonfamily employees really want. Senior employees are vital, but keeping them can be tough when they know they're unlikely ever to have ownership. One way to reduce turnover at this level, Morris says, is "to make sure that your compensation hits the target that they're looking for." He suggests that an outsider—a consultant, a nonfamily board member, or business adviser—sit down with each key employee to come up with the compensation plan that will keep the employee happiest and most committed to the company.

It's also a good opportunity to help communicate the family's succession plans to the employee and to obtain feedback on such issues as how to prepare the successor for the job. With an outsider initiating such a discussion, Morris says, the employee is likely to feel more comfortable and more open.

Curb problems with good communication. With nonfamily employees, you should eliminate the "built-in assumption" that family members are receiving special treatment, Morris says. It helps when the lifestyle of a family member is seen as similar to that of nonfamily members who are at the same stage of development.

Among family members, understanding is key. If one child is a manager at \$50,000 a year and another works on the loading dock for \$20,000, discuss the reasons for the difference, and make sure both children understand them. "It could be a function of age," says Nager. "The management person has been working there for five years, while the person on the loading dock is fresh out of school. In virtually all cases, the two children would accept that."

At Mazalea Nurseries, the younger generation "knows everything that's going on," Sue McWilliams says. Every Monday after work, the family members active in the business get together for what has come to be known as the "Monday night meeting." It's a time to share information, make group decisions, and take care of problems.

Says McWilliams: "We feel that the Monday night meetings are just invaluable, and the third generation does, too. No one would think of missing one." ■



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BAUDRY ET ASSOCIÉS

Four Paths To Franchising

By Meg Whittemore

Every 15 minutes, another person joins the ranks of the 500,000-plus franchisees in this country, according to the International Franchise Association (IFA).

Because of that rate of growth, the image of franchising in the '60s and '70s as the stepchild of big business has given way to a new view in the '80s: Franchising has become a strong economic indicator of the overall direction and health of the nation's business climate.

"Franchise sales growth is averaging 10.5 percent annually, which is about five times the growth of the GNP [gross national product]," says John Reynolds, marketing director for the IFA. Franchising, which began over a century ago, has evolved into a business segment that now employs 7.2 million people in the U.S. Last year, over a half million franchisees generated more than \$600 billion in sales, according to the Department of Commerce. Those figures are expected to increase annually.

Just who are the people who decide to buy a franchise and, in the process, take professional, personal, and financial risks by putting themselves and their families on the line? Those embracing this popular form of business ownership are as varied as the products and services they sell.

Following are four separate accounts of people who negotiated the unexpected turns in the franchise road to business ownership. All are from different personal, professional, and financial backgrounds, but they share the common characteristics of tenacity and a strong belief in their ability to succeed.

The Stockbroker

Bill Coglizer, 58, was a stockbroker with E.F. Hutton in Walnut Hills, Calif., when he first noticed a Supercuts hair salon. "It was in 1979," he recalls, "and every day when I would leave for lunch, I noticed customers waiting in line to get their hair cut at a Supercuts near my office." Men were wearing their hair longer in those days, and precision cuts were in style. The going rate was \$15 a cut, but Supercuts offered a precision cut for \$6, says Coglizer.

"The time was right, the concept was



PHOTO: © RICHARD DEWE

Ann Andre, Formu-3 International franchisee, counsels a client on weight loss at the Elkhart, Ind., location. Andre advises prospective franchise buyers to choose a business in which they have experience and to be prepared to work hard and put in "long, long hours."

new, and the \$6 haircut was a real bargain," he adds.

Coglizer started getting his hair cut at Supercuts. It wasn't until he noticed an advertisement offering Supercuts franchises in April 1979 that he began to think differently about the business. "I saw the ad, and then it hit me," he says. "Wouldn't this be great to do in addition to my stockbroker career?" One of Coglizer's clients also seemed

Just who are the risk-takers who buy franchises? Meet some people who took the plunge and are glad they did.

interested as an investor, so after talking it over with their wives, they drove to the Supercuts headquarters, in San Rafael, Calif., and met with the owners to discuss buying a franchise. "Obviously I wasn't a cosmetologist," says Coglizer, "but I was a good businessman, and I knew the importance of solid management." Coglizer financed the \$70,000 start-up costs through his own savings and those of his partner (cur-

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rent start-up fees are \$100,000 to \$125,000).

Before making the investment, Cog-lizer wanted answers to questions about numbers and future markets. "I wanted to know what the operating costs and profits were on the existing Supercuts stores," he says. Up to this point, all six of the Supercuts stores were owned and operated by the corporation. "My other big question was where are all these haircutters coming from?" Cog-lizer says. "Their concept was simple, the shop design was frugal, and the service was professional, but could they keep it up?"

Cog-lizer became the first of what are now 511 Supercuts franchisees, and he went on to open three more outlets in California and four in Portland, Ore. He left stockbroking after a year. "We run our stores very well," he says, "and we are able to do that because we have a manageable number." The average annual revenue for a Supercuts store is about \$280,000. Cog-lizer pays a monthly royalty of 4 percent on all retail products sold and 10 percent on all other gross revenues. A 5 percent advertising fee is also payable monthly.

Cog-lizer has some strong advice for franchise shoppers: "They should be sure they understand exactly what the

Continued on Page 80

Speak The Language

To become knowledgeable about franchising, you should know the meanings of these specific terms:

Business-format franchise: This usually is a retail or a service business and has a formatted operating system. The franchisor provides a full training program, operations manuals, advertising and public-relations assistance, and an ongoing system of support. Examples include fast-food restaurants, maid services, and dry-cleaning outlets.

Piggyback franchise: When two or more franchised businesses share space, or when a franchised business is located within an established nonfranchised business, the arrangement is called a piggyback franchise. Silk Plants Etc., for example, is located in 73 Montgomery Ward stores throughout the U.S. This buddy-system approach enables both businesses to offer more comprehensive products or services to customers, enhancing overall sales.

Conversion franchise: An independent business that becomes a franchised outlet of an existing franchise is a conversion franchise; typically, the in-

dependent had been in the same product or service category as the franchise. For example, Precision Tune Inc., an automotive tune-up franchise, often converts independent tune-up businesses into Precision Tune franchises as a way to penetrate markets.

Product or trade-name franchise: This arrangement often evolves from a supplier/dealer arrangement in which the franchisee sells the product manufactured by the franchisor under the franchised trademark or logo. Good-year Tire and Rubber Corp., for example, sells the company's products through franchised outlets.

A **master franchise** or **area franchise** gives the franchisee exclusive rights to expand within a given city, state, or region. A **multi-unit franchise** means the franchisee has the right to open several franchise units at the same time, while a **single-unit franchise** restricts the franchisee to operating a franchise in only one location. **Subfranchises** are sold by a master franchisee to others within the master franchisee's trade area.

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The Federal Trade Commission requires every franchisor to prepare an extensive disclosure document for each prospective franchisee. The document contains more than 20 items of information about the franchise. These items include information about the history of the company and about the franchisor, required fees and investment costs, how long the franchise agreement will be in effect, a financial statement of the franchisor, earnings claims (if the company makes them), and mention of any bankruptcy or litigation in which the franchisor has been involved.

The FTC disclosure document is not a guarantee against fraud and misrepresentation, but inaccuracies and deception are less likely to occur because the franchisor has prepared and attested to his statement in the document.

When you are given the disclosure document by the franchisor, you will be asked to sign and date a statement that you received it. No monies can be taken by the franchisor for 10 working days

from the time you signed the statement. This so-called "cooling-off" period gives you time to study the document with your attorney, evaluate the information you have gathered from talking with other franchisees, and prepare your financing.

What Financial Help Is Available?

Perhaps the most challenging aspect of buying a franchise is financing your purchase. Start-up costs range from \$8,000 to over \$400,000. In some cases, the franchisor offers assistance. More often, however, financing is left to the buyer. The following five steps can assist you in qualifying financially.

Determine your net worth. Net worth is figured by determining your assets and liabilities. Most banks have a printed form to assist individuals in preparing this analysis.

Determine your credit potential. Some loan officers recommend that potential buyers of a business carefully consider the following points: (1) Your credit rating (a record of your credit history over the past few years) must be good, or you will risk being turned down by the lending institution; (2) Your business must demonstrate the

capacity to repay the loan; (3) Your capability and skills in running a business must be evident and previously demonstrated; and (4) Your business integrity must be intact.

Develop a business plan. Your business plan should include a resume of your business experience (include past positions held and any management responsibilities), an estimate of what you expect the first year to look like for income and expenditures, and a marketing plan that outlines how you will generate business.

Consider the major sources of financing. Many franchise buyers elicit support from family and friends. Other sources for funding include banks and savings and loan institutions, stocks and securities, second mortgages on homes, borrowing against insurance, and loans from the Small Business Administration.

Be prepared. Select the most probable source of financing available to you and be prepared to discuss your credit standing, marketing plans, income projections, and overall net worth.

Source: International Franchise Association

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By Ed Hirsch, Special Feature Writer

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Continued from Page 76.

franchisor is going to give them in terms of attention and response to their questions and problems." Cogizer believes inattention to problems as they arise is a major problem in franchising. Buyers should also understand the franchisor's ethics of expansion so "they're not surprised when a franchisor plunks down a store two blocks away."

Finally, "having enough capital to get started and operating for at least six months is critically important," Cogizer says. "Get partners if there isn't enough money." Bank financing is too expensive and leaves the new franchisee too leveraged, he adds.

Cogizer advises sticking with something simple that has an ongoing market base. "My partner summed it up. He would look around and say, 'I don't see anyone here without hair, and people need haircuts on a regular basis.'" Look for something that "is not a luxury but a necessity," says Cogizer.

The Beautician

"I was a beautician for 11 years, a Tupperware manager for four years, and a receptionist at a country inn for several years before I decided that I needed to get serious about losing weight," says Ann Andre, 43, owner of three Formu-3

For More Information

A big part of investigating a franchise involves extensive reading about the franchise method of distribution. Here are a number of publications that can give you a good base of information:

How To Select a Franchise (\$10) and *Investigate Before Investing, A Guide for Prospective Franchisees* (\$4) may be ordered from the International Franchise Association, 1350 New York Ave., N.W., Suite 900, Washington, D.C. 20005. *Franchise Opportunities Handbook* (\$16), prepared by the International Trade Administration, U.S. Department of Commerce, is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. *The Rating Guide to Franchises* (\$29.95) can be ordered from Facts on File Inc., 460 Park Ave. South, New York, N.Y. 10016.

Franchising: The How-To Book (\$17.95), by Lloyd T. Tarbutton, is for sale from the International Franchise Association (IFA). The IFA also can give you a publications list and a schedule of franchising seminars and trade shows across the country.

International franchises. In August 1987, Andre went to a Formu-3 center in her hometown of Goshen, Ind., to lose 70 pounds. "I went into the center, looked around me, and something just clicked," she says. After telling the manager that she wanted to buy a Formu-3 center, he hired her as a counselor. "I had several years' experience in other weight-loss programs, both as a client and as an instructor," Andre says, "so this was an area I knew something about."

Andre lost her 70 unwanted pounds, began working as a Formu-3 counselor in November 1987, became an assistant manager in January 1988, moved up to manager the next month, and the following June she and her husband, Gary, purchased the center from the owner. They took out a second mortgage on their home and, with the help of the center's owner, came up with the required \$40,000 for the purchase. "Gary and I talked about it a lot before making the decision," Andre says. "Neither of us is from an entrepreneurial background, and we've always worked for someone else."

Andre admits that the idea of business ownership was frightening at first. "Risk taking was never part of my thought process," she says, "and when I signed those franchise papers, I

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thought, "Oh my God, what if we lose everything we have?" With her experience running the business for a while as an assistant manager and then manager, however, she had become convinced that she could do it well.

In the Formu-3 program, clients are permitted a diet consisting of selected grocery-store items. The client's weight is checked three times weekly, and blood pressure and measurements are taken once a week. Individual counseling is emphasized and is an essential part of the overall approach. "Fat people wear their emotions on their sleeves," says Andre, "and you have to have been there in order to know how these people feel."

Currently, the Andres own three centers, all within 19 miles of their home. Gary maintains his full-time job as a meat inspector with the U.S. Department of Agriculture, and he helps out with the business when he finds the time. A mother of two boys, Ann makes business ownership a family affair. "We put our boys to work in the centers, cleaning or helping with a mailing," she says, "and Gary often spends his weekends painting or doing repairs in one of the locations." Ann Andre admits she works long hours, but she says that hasn't hurt her family life or the annual sales figures. Last year, Andre's centers generated \$1.4 million in sales. "I get my sons involved because I want them to learn good work ethics and be successful themselves someday," she says.

Andre advises franchise buyers to be prepared to work hard and to work "long, long hours." Another important point, she says, is to choose a business in which you have experience or at least familiarity. "In the weight-loss business, you really have to have a feel for it," she says.

Finally, decide whether you're a people person or someone who wants to crunch numbers, she says. "Knowing the numbers is important, but don't neglect the necessity of people skills in dealing with the public."

The Computer Executive

"My wife and I wanted to start our own business for a long time," says Gary Lockwood, 43, a Priority Management Systems (PMS) franchisee, "but, like most people, we just gave lip service to the idea and never did anything about it." Things changed in late 1985 when Lockwood's position as an executive for a large computer firm was phased out. He and his wife, Verna, became serious about what kind of company they would start, but franchising was not part of their plan.

"We began to write down all the things we liked to do, the things we

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were good at, and what we were interested in," Lockwood recalls. Marketing, seminars, and consulting emerged as their strongest areas. "We had just finished our thought-process stage when I saw an ad for PMS, and it caught my attention," he says.

The Lockwoods conducted their investigation of Priority Management Systems, an international management-training franchise, in a way recommended by franchise experts. First, they wrote to PMS for more information and received preliminary materials. "They described what the business was and sent a short application form that requested some information from us," he says.

After returning the form, more information arrived, along with a phone call from PMS headquarters, in Dallas (the company now is based in Seattle). "They invited me to come meet with them, but I wanted to do some homework on them first," Lockwood says.

After doing library research for information on franchising, Lockwood contacted the International Franchise Association for more information on franchising in general. "We also called some of the current PMS franchise owners and asked them how long they were in business, how they really spent their time, and would they do it all

again," he says. For Lockwood, an important consideration was whether or not PMS allowed franchisees to run their own business, or "was the franchisor always looking over the franchisee's shoulder?"

Satisfied with the research and the answers they were receiving, the Lockwoods went to Dallas to meet the franchisor. "The thing that struck me was that they were as interested in qualifying me as I was in qualifying them," says Lockwood, "which told me that they weren't selling franchises to anybody who could walk through a door and fog up mirrors."

The next step involved a franchise attorney and an accountant. The franchise document received a thorough legal review, and the Lockwoods began to structure a realistic financial picture. "I also asked a consultant friend of mine to give me a sanity check," Lockwood jokes, "just to make sure I wasn't getting into something crazy."

The Lockwoods opened their PMS franchise in May 1986, six months after beginning their initial research. The total start-up costs were \$27,000 plus four to six months of living expenses. They borrowed most of the money from family members, and the remainder was financed by a bank.

The move from corporate executive

to entrepreneur has been relatively painless, according to Lockwood. "I left a job with a six-figure salary to do this, and I'm glad I did," he says.

Lockwood says the franchise system reduced start-up time by two years. "As Verna and I looked into it, we realized that instead of starting a business from scratch, PMS had already laid most of the groundwork for us through franchising," he says. Currently, the Lockwoods' franchise tallies over \$400,000 a year.

Gary Lockwood has just one regret. "I finally discovered the world of the entrepreneur when I was 40 years old," he says. "I only wish I had done this 10 years earlier."

The Realtor

One of the strengths of franchising is its ability to respond immediately to a trend with a specialty service or product.

"I was reading a lot about the environmental concerns surrounding sick-building syndrome [when a building contains environmental pollutants from sources such as construction materials or residues of air pollution]," says Craig Yalch, 40, a new BriteTech franchisee, "when a friend of mine called and told me that he was buying a BriteTech franchise in Chicago, and that got me interested."

BriteTech International Inc., headquartered in Norcross, Ga., specializes in cleaning ceilings and other surfaces damaged by pollutants. The company started franchising last January, and Yalch is one of the current 16 franchisees.

Craig Yalch has always been an entrepreneur at heart. A native of Benzi County, Mich., he has been a real-estate broker there for the past 15 years. On a recent vacation, Yalch began to get itchy for another business venture. But, he says, "I wasn't too keen on a franchise, and my wife, Carol, was very conservative about starting anything new."

A visit from his boyhood friend who owned the Chicago BriteTech franchise changed those attitudes. Yalch became familiar with the BriteTech operation when he attempted to get financing for his friend's Chicago venture from a local bank.

Although that effort failed, Yalch decided to investigate his hometown market as a possible site for a BriteTech franchise for himself. "I spent a few days going through town looking up at ceilings," he said, "and I didn't find one that was clean." Yalch spent some time researching franchising and reading about the BriteTech system. "I felt that the dual trends of a worker's right to know and toxicity in the workplace indi-

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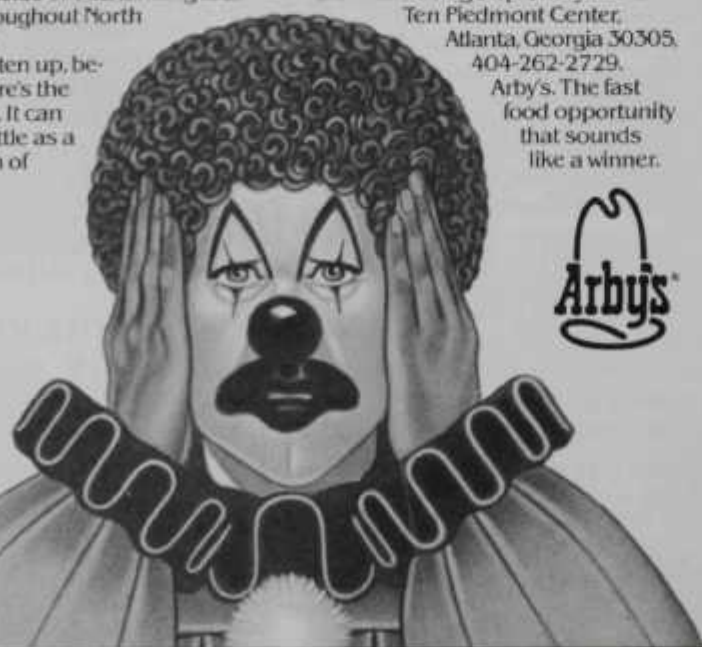
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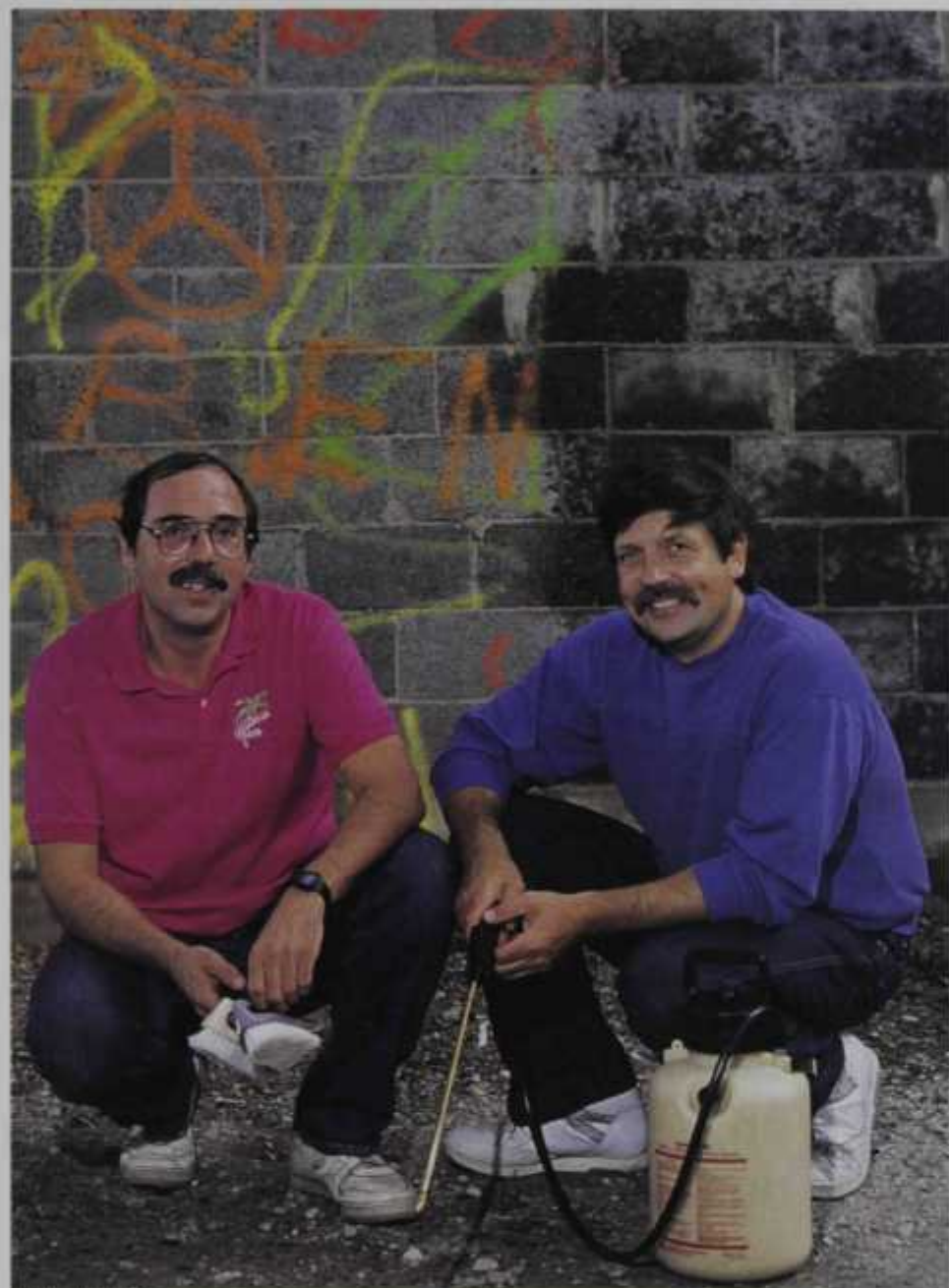


PHOTO: BRIAN BAKER

Craig Yalch, left, and partner Christopher Henning, BriteTech franchisees, show off a wall partly treated with the BriteTech method of cleaning surfaces damaged by pollutants or covered with graffiti. The two entrepreneurs plan to keep their jobs while their new venture gets under way.

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ated a strong future market for this kind of service," he says.

In June 1989, Yalch visited the Brite-Tech headquarters with a partner. On the way home, the two formulated a plan for financing. "We decided to give the loan committee a demonstration of the service right there at the bank," he said. The plan worked. After seeing the products and service in action, the committee gave the pair 100-percent financing for the franchise.

The start-up costs totaled \$30,000 and covered three months of operating costs. Yalch and his partner plan to keep their respective jobs while their new venture gets under way. "The jury is still out," says Yalch, "but I feel our market is ripe for this kind of service, and we did our homework on the franchise before we bought it."

Franchising has clearly penetrated the economic lifeblood of this country and is now firmly entrenched as part of the American way of life. Entering this rapidly expanding realm of business ownership is not for the faint of heart. For the well-prepared buyer, however, franchising can open a door of opportunity unmatched by other business methods.

Out There On Your Own

One of the major misperceptions about franchising is that the franchisor does all the work and the buyer merely has to come up with the necessary financing. In reality, it's not that easy.

Investigating the purchase of a franchise is time-consuming, information-intensive, legally demanding, frustrating, and tiring—and that's just for starters. The potential franchise buyer must dig beyond the obvious information and take the time to investigate thoroughly not only his or her own personal goals and expectations but also those of the franchisor, says Bob Kushell, president of Kushell Associates Inc., a Glen Cove, N.Y., franchise-consulting firm. "Don't take the franchisor's word for what is in the franchise-offering document," he says. "Be a skeptical buyer."

Here are some points to consider or investigate while you do your research, thinking, and decision making:

- Understand that this is not a quick purchase. The investment you are considering is one you would have to live with for the length of the contract.
- Read everything you can about franchising so you can begin your investigation from a strong information base.
- Make a personal assessment of

your interests and talents. What are your strengths? Do you like working directly with people, or do you prefer behind-the-scenes work? "It's very important to do something you enjoy and are good at," says Kushell.

• Once you have narrowed the field of possible franchises based on your interests and skills, write or call for information on each of them.

• Be sure the franchisor supplies a list of current franchisees. Contact as many as you can, and ask them how long they have been with the franchisor, what kind of attention they received in the beginning, and what kind of attention they receive now. Ask the franchisee if he or she would buy the same franchise again.

• With your research completed, you are ready to meet face-to-face with the franchisor. At that meeting, Kushell says, "ask the tough questions so it won't be as easy for the franchisor to blow smoke." Ask to spend a few days shadowing an existing franchisee, says Kushell. "That way, any misperceptions in your mind about what a typical day is like for the franchisee will be reduced."

• Read the offering circular, and hire a lawyer who specializes in franchise law to do the same. Your lawyer should understand franchising, anti-

trust laws, trademark laws, and the Federal Trade Commission Franchise Rule. A qualified franchise lawyer usually has a number of franchisors as clients.

• What is the litigation history of the franchisor? Item 3 on the Uniform Franchise Offering Circular requires a franchisor to state any past or pending litigation against the company.

• Check the estimated costs for start-up and ongoing operation of the franchise in your marketplace. Are the franchisor's figures accurate? Remember, costs vary from market to market.

• Does the franchisor thoroughly determine that you meet qualifications for interest in the business, financing, and goals? A good franchisor will want to know as much as possible about you because the success of the franchise depends largely on the success of the franchisees.

• Is the franchisor completely open when questioned on any aspect of the franchise? If you have the sense that information is being withheld from you, watch out, Kushell says.

• Is your family fully behind the idea? This aspect is vital, Kushell says, because owning a franchise will take up most of your time—time that your family members may want you to spend with them. **■**

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By Carol Dilks

Alzheimer's Disease: The Search For A Cure

Minnie D., a handsome 75-year-old widow who looked a good deal younger, stood outside her apartment door in a state of utter dismay. Not many years before, she and her husband had worked together at a small pharmacy, but now she couldn't remember how to unlock her door. She shook her head sadly when she saw me. Unable to remember my name, though we had been next-door neighbors for five years, she asked me to help. "There's something wrong with me," she explained. "I'm not myself anymore."

She was not herself, it was true. She also was unaware of what Alzheimer's disease would eventually do to her. Within six months, she could no longer put names to her children's faces. Within three years, the disease had killed her. A progressive, degenerative disease, Alzheimer's attacks the brain and, over the course of years, brings about impaired memory, flawed thinking, and irrational behavior. In time the brain's messages no longer reach the rest of the body. Movement becomes difficult, then impossible. The disease always ends in death, often from pneumonia or dehydration.

The disease, named for the doctor who identified it in 1906, was originally considered to be a form of pre-senile dementia, one that appeared in people who were under 65 years of age and therefore assumed to be too young to be senile. But in 1976, important research found the characteristic deformations of Alzheimer's in the brain tissues of both younger and older patients.

The age range for Alzheimer's victims expanded upward. Suddenly the disease seemed to be everywhere, and the public and the medical community became keenly aware of it. Loss of mental capability was no longer considered a normal part of aging, but a physical syndrome that could possibly be prevented, treated, and, eventually, cured. Current estimates are that 4 million people suffer from Alzheimer's.

Some of the greatest recent strides



PHOTO © LYNN JOHNSON-BLACK STAR

Alzheimer's disease still robs millions of Americans of a serene old age, but researchers may at last be close to unlocking its mysteries.

have been made in the field of diagnostics. Advances in brain-scanning technology have provided clearer views of what is happening in the brain. Magnetic resonance imaging (MRI) and positron emission tomography (PET) allow diagnosticians to distinguish the plaques and tangles of nerve filaments found in the brains of Alzheimer's victims from brain tumors or clots, which often cause similar symptoms.

Important clues to who is likely to get Alzheimer's are being found in the field of genetics. Researchers have identified a particular strain of the disease that appears before the age of 50 and is clearly an inherited trait. Study is focusing on a gene that produces the highly insoluble substance of which the plaques and tangles are made.

"Until the mid-'70s, we didn't have the research tools we needed to do this work," says Dr. David Drachman, chairman of the neurology department at the University of Massachusetts Medical Center.

Drachman, who also is chairman of the medical and scientific advisory board of the Alzheimer's Disease and

Related Disorders Association, says, "Now we have molecular genetic techniques—techniques that make it practical to look at a specific gene."

In order for the brain to function properly, says Drachman, "a cascade of biochemical events has to be maintained." If research reveals that the "cascade" has been interrupted because, say, "a certain protein is insufficient," he continues, "we can add drugs to restore the proper sequence. The chain of reactions can be helped."

If the "chain of reactions" could be helped enough to make a significant difference, the brain would produce chemical message transmitters adequate to permit impulses to work their way through its neurological maze again. Thought and memory, action and reaction would be restored. That is the goal.

Meanwhile, scientists are looking into many possible nongenetic causes of Alzheimer's, such as viruses and early head trauma. Toxins such as aluminum, which is found in higher-than-normal amounts in the brains of Alzheimer's victims, have been the focus of other studies, although researchers still cannot be sure whether aluminum's presence causes the disease or results from it.

On other fronts, researchers are constantly developing new medications to control symptoms, and medical professionals are finding new uses for conventional medicines. By reducing depression, sleeplessness, aggression, anxiety, and other emotional disturbances, drugs can enhance patients' lives. Some new drugs restore lost mental capacity to some degree, whereas others enhance the functioning of the undamaged portions of the brain.

Although a decade ago the number of questions seemed vastly greater than the number of answers, Drachman and other researchers believe that answers to the big questions about Alzheimer's are now only a few years away.

"We are accumulating some real facts, and each is a clue," he says. "In Alzheimer's, what we are talking about is the aging of the brain in an accelerated fashion. We can try to make sure this doesn't happen during the normal lifetime, while a person is still physically capable." ■

Carol Dilks is a Philadelphia freelance writer.

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It's Your Money

A monthly survey of strategies, tactics, tips, and suggestions to help you with your personal finances.

By Paul N. Strassels

TAXES

Living More Securely—And Saving On Taxes To Boot

A lot of people have installed home-security systems, some at considerable expense. According to the Internal Revenue Service, the cost of these systems, along with monthly service fees, may be tax-deductible in certain circumstances.

If your home is used solely as a personal residence, you get no current deduction, but the cost of a permanently installed system may increase the tax basis of your residence.

If you operate a qualified home office in your residence and you are profitable, the monthly expense of a home-security system is deductible in proportion to the size of the office in the home.

You would calculate a depreciation deduction using the same ratio.

Deductibility can get a little tricky for investors. The IRS says you get no deduction unless you are protecting property held for the production of income.

So, putting in a system to protect your personal possessions such as works of art, jewelry, or silver yields no deduction.

Never Part With Originals

When you are audited, the IRS examiner assigned to your case will usually want to see original documents that back up your deductions. That's fine when you or your accountant meets personally with the auditor, and you can bring your papers home. But if you are asked to leave those originals with the auditor, don't do it. Tell the auditor that you will make copies available, but that you need to keep the originals in your possession.

The reason is simple: The IRS is notorious for misplacing taxpayers' files. Even when the IRS loses your pa-



PHOTO: PETER GARFIELD-FOLIO, INC.

A home-security system can offer tax advantages as well as protection if you operate a home office that meets the IRS's standards.

pers, you are still responsible for proving your deductions and credits, perhaps to a new auditor. The only way for you to do that is with original receipts and records.

By the way, at least 4 of the 10 IRS service centers will let you fax copies of documents that are needed to resolve audits.

Dutch Treat

Eighty percent of the cost of business lunches and dinners is tax-deductible, assuming you can document your expenses with receipts showing the price, date, where you ate, whom you entertained, and your business purpose. There is one more important requirement: The deduction is available only to the taxpayer who has a business relationship with the guests being wine and dined.

In a recent case, one of the partners in a firm deducted on his personal return what he spent on lunches for contract workers he hired for the firm. Even though business was always discussed during those lunches, and although he had receipts to prove what

he spent, the partner was not allowed to deduct the cost of those lunches. Since his firm was the one with whom the workers had a relationship, he should have sought reimbursement from the partnership, with the firm claiming the deduction.

Art For Art's Sake

Businesses utilize valuable depreciation deductions for assets they use in the course of their operations. Depreciation deductions are allowed for machinery, cars, trucks, office furniture, and other items that have a useful life of over a year. The deduction is applied against income, and, as such, it is an important tax break.

But what about antiques or other works of art that may grace the walls of a business? Since depreciation is based on the useful life of an asset, and since antiques and works of art have no measurable useful life, they cannot be depreciated.

Businesses can, however, write off the cost of less expensive items used to decorate their surroundings. How can you differentiate between nondepreciable art and depreciable decorations? Often, it is a close call. When the item is not an obvious work of art, consider it a depreciable decoration. But don't be surprised if you are challenged by the IRS.

Treasuries As Tax Shelters

Although the interest paid on Treasury bills, notes, and bonds has long been subject to federal tax, that same interest is exempt from state and local income taxes.

That qualifies Treasury securities as true tax shelters, especially for those who live in communities that impose high local taxes.

The exemption from state income taxes and the safety of these investments make Treasuries worth including in your portfolio.

Purchasing Treasury bills today that mature in 1990 may be a smart idea, since the interest (or, more properly, original-issue discount) is taxed to the recipient in the year the Treasury bill matures, not the year the interest is paid. ■



Paul N. Strassels, president of Money Matters Inc., Rapid City, S.D., is a tax-law specialist and financial adviser.

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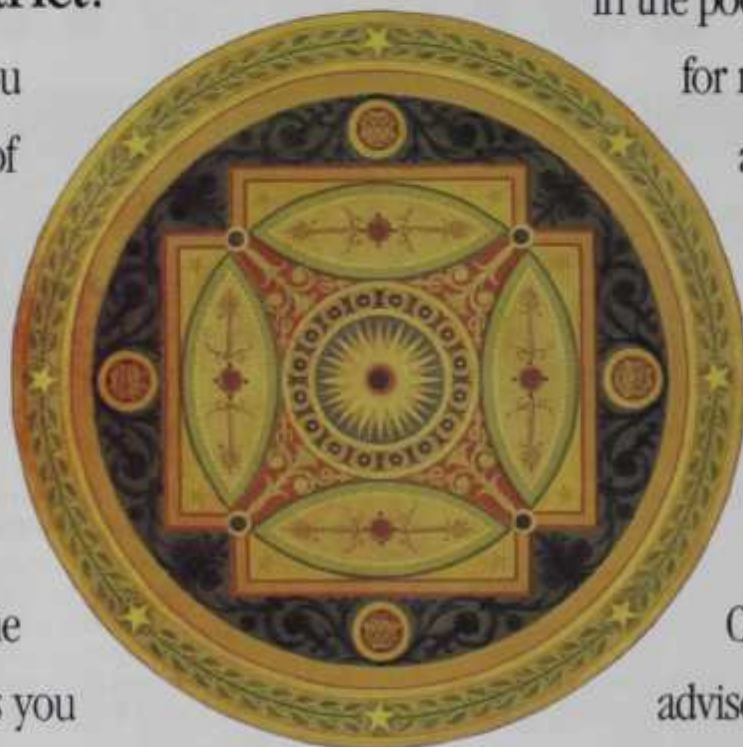
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An American Sampler

At the Wadsworth Atheneum, Hartford, Connecticut
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At the New York Historical Society, New York, New York
Oct. 3, 1989 — Jan. 7, 1990

At the Worcester Art Museum, Worcester, Massachusetts
April 15 — Aug. 5, 1990

Folk art wasn't created for museum display. In homes and atop barns and businesses, these pieces played functional, decorative roles in daily American life.

Today, interest in folk art is soaring. Credit in large part is due to Electra Havemeyer Webb, a visionary collector who founded Vermont's Shelburne Museum.

To celebrate America's artistic heritage, some of the nation's leading museums are hosting a special exhibition, *An American Sampler: Folk Art from the Shelburne Museum*.

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For Your Tax File

What you need to know to keep taxes from overtaxing you.

By Gerald W. Padwe, C.P.A.

INTEREST

Prepaying Possible Interest On A Disputed Tax Liability

Interest charges by the government resulting from an Internal Revenue Service audit can be quite high. The audit generally does not take place until a couple of years after the return is filed, and the interest charge on the disputed tax liability compounds daily until the audit is finished. An audit often takes several years to complete.

To avoid this unduly burdensome claim, many taxpayers offer to prepay some or all of the potential interest while continuing to fight the underlying tax liability. By doing so, they reduce ultimate interest liability and also may receive a current tax deduction.

However, the IRS traditionally has taken a very tough stance against an interest-only payment that results in a deduction. A 1984 IRS procedure holds that unless the taxpayer actually pays an amount of underlying tax that would support the calculation of the interest, the interest payment will not be deductible.

Note that paying the underlying tax does not concede any issues to the IRS. The "tax" payment is in the form of a cash bond and does not represent a voluntary self-assessment. The contest continues, and if the taxpayer is successful, the "tax" dollars will be returned.

One taxpayer, however, recently challenged this position in court—and won.

In 1983, the IRS issued a statutory notice of deficiency on the taxpayer's 1980 return. This included a calculation of \$7,000 in interest charges from the filing date to the date of the notice.

The taxpayer sent the IRS a check for \$7,000 and asked that the money be credited to the interest portion of the claim. He then filed a U.S. Tax Court petition to litigate the underlying tax. The IRS, however, credited the \$7,000



PHOTO: T. MICHAEL KEZA

The U.S. Tax Court disagreed with the IRS's reasons yet ruled in its favor on certain business expenses.

to the tax liability, not the interest. When the taxpayer deducted that amount as interest on his 1983 return, the IRS disallowed the deduction.

When the "interest" was paid, said Uncle Sam, there was no formal debt

from the taxpayer to the government, and thus there was no basis to calculate interest. The taxpayer was contesting the underlying tax and had not made any cash payment to support the \$7,000 interest charge.

The Tax Court disagreed. Issuance of the statutory notice of deficiency is a claim by the government that the taxpayer owes the tax, thus creating a debt.

In regard to the IRS requirement that an amount equal to the underlying tax must be paid to support the interest deduction, the court pointed out that the Internal Revenue Code section on deductibility of interest has no requirement that a debt be paid before interest can be deducted. To the extent that an IRS procedure holds differently, that is an "unwarranted restriction" on the statute, the court said. The interest deduction was allowed.

This decision, however, does not open the door for any taxpayer, during an IRS audit, to send in a check for interest and receive a deduction. In this case, the audit reached the point where a statutory notice of deficiency had actually been issued. It was that notice that created the formal claim against the taxpayer. Without such formal assertion of liability, it is doubtful the court would have held as it did.

DEDUCTIONS

Takeover Expenses: Deductible Or Not?

There is a general proposition in tax law that expenses incurred as part of a corporate restructuring are not currently deductible; instead, they become part of the permanent capital of the reorganized enterprise. That rule is well recognized for an acquiring corporation but is less clear for expenses of a corporation being acquired.

In a recent U.S. Tax Court decision, the acquired corporation—call it "Target"—was not seeking to be taken over, but it received an expression of interest in a tender offer from a purchaser. Target's board, pursuing its fiduciary duties, paid \$2.2 million to an investment-banking firm for an opinion that the proposed purchase price was fair to shareholders, and paid \$500,000 for legal services connected with struc-

turing a friendly takeover. The company sought to deduct these amounts as regular business expenses, and the Internal Revenue Service disallowed them, contending that the expenses were related to a reorganization and, as such, should be capitalized.

The Tax Court disagreed with the IRS, but for different reasons it ruled in the government's favor. The court said the expenses were incurred because Target's board believed the shift in ownership was in the best long-term interests of the corporation. Thus, the expenses represented an asset with an indefinite life, and no current deduction or amortization is allowed.

It is not known if the IRS might try to extend this ruling to a situation in which the takeover effort fails but the target company has spent large sums fighting an attempt it believes to be counter to the company's interests. ■



Gerald W. Padwe is national director-tax practice for Touche Ross & Co. Readers should see tax and legal advisers on specific cases.



City	State	Zip
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Direct Line

In which experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore
and Bradford A. McKee

SERVICES

Secret Service

I want to find out whether it is necessary to get a patent or registered trademark to protect a service business. Is it really necessary to have your service registered to protect your idea from being taken over by others?

D.B., Baltimore

You may obtain a "service mark" to cover a distinctive logo for your service, but you cannot protect the service itself, says Oscar Matsin, public-affairs specialist for the U.S. Patent and Trademark Office. Others may copy your service, he says, but your best bet to protect your share of the market is to identify yourself as a high-quality service operation and have a recognizable service mark. Matsin says the borrowing of ideas is a risk of doing business, the reason many businesses have "trade secrets." For further information, you may call the patent office's public-service office at (703) 557-HELP.

Clearing The Heir

I am trying to become a tracer of unclaimed property and money held in state treasuries, and perhaps the federal government. I would operate this business from my home.

T.G., Pittsburgh

In Pennsylvania, contact the state's Office of Escheats, which handles reversion of properties to original owners. The office publishes its list of unclaimed properties in the largest newspaper in each county, as a matter of public record. Background documentation on individual properties is available in the office in Harrisburg; (717) 986-4640.

In other states, call the state treasury to ask for the procedure for public posting of unclaimed property.



Hazardous Waste

I am interested in opening a hazardous-waste disposal plant. Where can I find out more information about setting up such an operation?

R.B., Metairie, La.

Call the Environmental Protection Agency's Superfund Hotline, (202) 382-3000. The hotline staff supplies information for Superfund projects, which are targeted at the disposal of hazardous waste. Agency representatives can direct you to resources you can tap for help in setting up such a plant.

Mortgage Interest

I am interested in becoming a mortgage broker. Are there any books available that can help me to get my business going?

P.C., Chicago

The National Association of Mortgage Brokers (NAMB) offers a lengthy bibliography of books and reference materials for people seeking information on mortgage brokering. Helene Gross, an information specialist with the association, says, however, that essential information on the subject varies widely among the states. She can point you toward resources that will be of most use to you locally.

For more information, contact her at NAMB, 706 East Bell Road, Suite 101, Phoenix, Ariz. 85022; (602) 992-6181.

This Space For Rent

I am planning to open a self-service storage facility. I need information on management, insurance requirements, and basic guidelines to follow in this type of business.

J.H., Sarasota, Fla.

Frank H. Mason, executive director of the National Mini Storage Institute (NMSI), in Washington, D.C., says the



largest problem in establishing self-storage facilities is competition for space in urban areas. He also says that many municipalities and county zoning boards treat self-storage facilities like multi-unit apartment dwellings under local codes. "It's like fitting a square peg into a round hole," Mason says.

NMSI provides a very general brochure on opening a small self-storage facility. The organization also sponsors free educational seminars several times a year in various parts of the country. For more information, call Frank Mason at (202) 943-9162.

For specific information on zoning in your area, contact Mike Miller, zoning administrator for Sarasota County, at (813) 378-6121.

LIVESTOCK

Catfish Corral

Please tell me where to obtain information concerning the management of a catfish farm.

C.B., Borger, Tex.



The rules for operating catfish farms vary from state to state, says Billy Higgenbotham of the Texas A&M Extension Fisheries Department in Overton, Texas. "Fish farming is in its infancy and dealing with a lot of growing pains, just like the animal-husbandry area did at one time," he says. However, Texas recently enacted an aquaculture bill that Higgenbotham says will encourage fish farming in the state. Higgenbotham says he can send you information pertinent to fish farming in Texas if you write to him at P.O. Box 38, Overton, Texas 75684.

To obtain information about catfish farming in any other state, contact the extension service at the state's university and speak with someone in the department's fisheries division.



EXPORTING

Sports Arena

I am interested in starting a sporting-goods exporting business. Where can I find out what regulations will be applicable? Where can I write to find out about drop shippers of sporting goods? Whatever happened to the Export-Import Bank? Can I expect help from them?

I am a Vietnam-era veteran. Are there any agencies that can help me pursue my goal?

K.K., Seattle



The Small Business Administration (SBA) covers nearly every one of your needs. SBA's Office of International Trade Assistance, (202) 653-7794, has a broad range of services and publications to help you get exporting information.

The Export-Import Bank (EXIM-BANK) and SBA have a joint-guaranty program that assists small exporters.

You also will want to contact the Veterans Affairs Office at (202) 653-8220 to inquire about professional and technical assistance and direct-loan information.

The National Sporting Goods Association (NSGA) represents retailers, manufacturers, and sales representatives in the industry. Julie Jenkins, a membership representative at NSGA, says that the organization has an extensive information-services department. The information center provides demographic information and product-research services.

Contact NSGA by calling (312) 439-4000 or by writing to the association at 1699 Wall St., Mount Prospect, Ill. 60056-9968.

FRANCHISING

House Of Cards

How does a person become an operator or a franchisee of a Hallmark card and gift store?

P.B., Hightstown, N.J.

Rachel Bolton, director of marketing media relations for Hallmark Cards Inc., says the stores are not franchises. Each is privately owned and operated but works closely with Hallmark. To receive a free packet of information, contact Hallmark at P.O. Box 419580, Kansas City, Mo. 64141-6580; (816) 274-



5111. Ask for someone in the "new-business inquiries" section.

Office Help

Where can I get information on purchasing an office-services franchise? An EBC (Executive Business Centers) franchise highlighted in the May 1989 issue of *Nation's Business* sounded very attractive to me.

J.P., Pickney, Mich.

There are several office-services franchises you may want to investigate. Begin your research with a directory of franchises. You may get the *Franchise Opportunities Handbook*, published by the U.S. Department of Commerce (available for \$16.95 by calling the Government Printing Office at 202/783-3238). Also, the International Franchise Association (IFA) can send you its membership directory for \$6.95. Send a check to: IFA, 1350 New York Ave., N.W., Suite 900, Washington, D.C. 20005, or call (202) 628-8000.

RETAILING

Balance Sheet Music

My husband and I own a retail music store and have been in business a little over five years. We are experiencing some difficulties and would like to hire an independent business or financial consultant to evaluate why we still are not making a profit. Can you suggest



where I would look in the Sacramento area to find a qualified consultant? B.V., Yuba City, Calif.

Sharon Hartman at the Sacramento Metropolitan Chamber of Commerce says she can refer you to one or several consultants in your area. Contact the Sacramento Chamber at P.O. Box 1017, Sacramento, Calif. 95812-1017; (916) 443-3771.

Before hiring any financial consultant, you may wish to check the person's credentials in the *Directory of the Registry of Financial Planning Practitioners*, available for \$2.50 from the International Association for Financial Planners, Two Concourse Parkway, Suite 800, Atlanta, Ga. 30328; (404) 395-1605.

ENTERTAINMENT

A Place To Play

I need information about manufacturers of coin-operated games, rides, and toys for children under the age of 13. Also, any other sources of information would be very helpful.

W.D., Houston

Tom Leon, of the Amusement Equipment Exchange, in Rockford, Ill., says you are looking into "one of the most profitable and best-kept secrets" in the entertainment industry. The largest trade association for the industry is the Amusement and Music Operators Association (AMOA), in Chicago. Contact Kathy Wagner in member services at AMOA, 111 E. Wacker Drive, Chicago, Ill. 60601; (312) 644-6610. Ask for a free information packet that includes an application, a newsletter, and information on the association and its trade show.

Miniature Golf

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S.S., Springfield, Va.

There are more than 1,000 miniature-golf courses in the U.S., but there is no trade association for the business. Nonetheless, Marsha McPeake of the National Golf Foundation, which concentrates on the sport as played on full-sized courses, can give you a list of information sources on planning, constructing, and equipping miniature-golf courses. Some miniature-golf planning companies can help you decide whether to establish a franchised or an independent course; others have free designs and financing information. Write to the foundation at 1150 South U.S. Highway 1, Jupiter, Fla. 33477, or call (407) 744-6006. **1B**



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COMMENTARY

Where I Stand

Readers' responses to this poll give them a direct voice in the policy-making process of the U.S. Chamber of Commerce.

1. Cut Taxes On All Long-Term Capital Gains?

Under the 1986 tax-reform act, gains from the sale of all assets are taxed at the same rates as ordinary income. Congress seems inclined to cut capital-gains taxes, but the issue is so contentious that even supporters of relief cannot agree on form and degree. Some advocate the most sweeping rate cut, politically possible—to a maximum 15 to 20 percent for assets held at least a year. Relief of this magnitude would

sharply spur capital investment and increase revenue more than \$5 billion in fiscal 1990 and beyond, they say, as taxpayers buy and sell assets at the lower rates. Opponents argue a cut of this magnitude would benefit mostly the richest Americans and businesses, lose money in subsequent years, and possibly unravel the tax-reform law. Do you favor an across-the-board cut in the long-term capital-gains tax rate?

2. Exclude Some From Capital-Gains Relief?

Some who advocate a capital-gains tax cut would exclude corporate investments and individual investments in timber, real estate, and collectibles. This "targeting" would merely serve to deny tax breaks to "fat cat" businesses and individuals, proponents contend, while encouraging more economically

beneficial investments such as stocks and bonds. Opponents of targeting contend it would discourage corporate expansion, which creates jobs, and would depress certain industries, which would cost jobs. Should corporations and some individual investments be denied capital-gains tax relief?

3. Index Gains Instead Of Cutting Tax Rates?

Still others would provide capital-gains tax relief by maintaining current rates but taxing only those gains in excess of inflation. This is fairer to small investors, they contend. Opponents say indexing does not provide enough relief to timber producers or venture capitalists and entrepreneurs, who realize big

gains if their ventures are successful but lose big if they are not. Opponents also point out that by accommodating inflation, Congress could remove political pressure to make hard choices necessary to mitigate it. Should Congress tax indexed gains at current rates instead of cutting rates themselves?

Verdicts On August Poll

Here is how readers responded to the questions in the August issue.

	Yes	No	Undecided
Should Congress amend the Davis-Bacon Act?	83%	9%	8%
Should nuclear power be maintained as an energy option?	85%	11%	4%
Should the U.S. pursue bilateral trade agreements?	54%	18%	28%



Send in your vote on the inserted postpaid card. Your views on any of these questions are also welcome as letters to the Editor, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062.

Smart Approaches To Productivity



By Warren T. Brookes

One of the economic mysteries of the 1970s and 1980s is why the nation's productivity growth suddenly fell from nearly 3 percent a year to 1 percent and even less. Economists generally agree that about half of this productivity slowdown is attributable to still-unexplained causes, which they are debating vigorously.

One of the most cogent debaters is John Kendrick, economist emeritus from George Washington University, in Washington, D.C., and a leading expert on gross-national-product accounting. Kendrick has maintained for some time now that capital spending on business equipment explains relatively little of the nation's productivity. He says the leading element, accounting for perhaps 70 percent or more, is "the knowledge factor."

To put it simply, the more we know and the smarter we

productivity is larger than heretofore believed." He notes that "productivity growth and test scores declined almost simultaneously," and he points out that high-school graduates in 1980 "had learned about 1.25 grade-level equivalents less than those who graduated in 1967."

Bishop found that GIA was rising about 5 percent a year in the middle 1960s, and productivity was rising about 3 percent. By 1980, GIA was falling at nearly 6 percent a year, and productivity growth was down to under 0.5 percent a year. The direct economic costs of that lower knowledge (in 1987 dollars) were \$34 billion in 1980 and \$86 billion in 1988, and they would reach an estimated \$334 billion in the year 2010. Says Bishop: "If the forecasted shortfalls in output up to the year 2010 are cumulated, assuming a 3-percent rate of growth of GNP... the total present discounted cost of the test-score decline is \$3.2

might suggest we should be education spending even than we now are, as a wise investment in the nation's output. But notes that higher spending does not necessarily mean higher test scores. "Prior to student test scores had been steadily for more than 50," Bishop says, and if they had been rising at their former labor quality would now be much higher." Yet the con-lollar growth in education ng per student rose substantially from 1967 to 1987 (4 percent) than it did from 1947 to 1967 (3 percent). Education Secretary Lauro Ca-money alone is not the an-parental choice and consum-school system, we are ation reform that the econo-

avid Kearns has argued that reform must be driven by discipline. . . . The objective is: complete restructuring. . . . If we are to survive."

4K2X5

Unfortunately, last June the delegates to the convention of the National Education Association (NEA) voted overwhelmingly to oppose all significant parental-choice programs or any competition among schools; saying, "Federal- or state-mandated parental-option plans compromise the NEA's commitment to free, equitable, universal, and quality public education for every student."

It remains to be seen whether there is enough political will and courage to stand up to this education monopoly, particularly in the inner cities and among minorities, from which 40 percent of our future work-force entrants will come over the balance of this century. Our productive and competitive future as a nation clearly depends on it. **B**

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score declines beginning in 1967, but he writes that "its major impact on [productivity growth] has come in the 1980s" and has "explained" about 20 percent of that decline. He estimates that as a result of the test-score decline, "the labor-quality shortfall was 1.3 percent in 1980 and 2.9 percent in 1987," and that it is "projected to be 3.6 percent in 1990, 5.5 percent in 2000, and 6.7 percent in 2010."

This means, Bishop concludes, that "the effect of general intellectual achievement (GIA) on wage rates and

Warren T. Brookes is a nationally syndicated columnist on economic issues.

COMMENTARY

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Where I Stand

Readers' responses to this poll give them a direct voice in the policy-making process of the U.S. Chamber of Commerce.

1. Cut Taxes On All Long-Term Capital Gains?

Under the 1986 tax-reform act, gains from the sale of all assets are taxed at the same rates as ordinary income. Congress seems inclined to cut capital-gains taxes, but the issue is so contentious that even supporters of relief cannot agree on form and degree. Some advocate the most sweeping rate cut politically possible—to a maximum 15 to 20 percent for assets held at least a year. Relief of this magnitude would

sharply spur capital investment and increase revenue more than \$5 billion in fiscal 1990 and beyond, they say, as taxpayers buy and sell assets at the lower rates. Opponents argue a cut of this magnitude would benefit mostly the richest Americans and businesses, lose money in subsequent years, and possibly unravel the tax-reform law. Do you favor an across-the-board cut in the long-term capital-gains tax rate?

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One of the most cogent debaters is John Kendrick, economist emeritus from George Washington University, in Washington, D.C., and a leading expert on gross-national-product accounting. Kendrick has maintained for some time now that capital spending on business equipment explains relatively little of the nation's productivity. He says the leading element, accounting for perhaps 70 percent or more, is "the knowledge factor."

To put it simply, the more we know and the smarter we are, the more we produce. As knowledge advances, so does output. And this equation is becoming more potent each year as we move from a purely physical-goods economy to an information economy. An increasing share of our capital is not even in machinery and plants but in software, or logical mental programs that determine everything from product design to the conversion of ideas into goods and services.

If Kendrick is right, we must assume there was a relatively rapid falloff in the trend of the U.S. "knowledge factor" beginning in the early 1970s, just as the information economy was dawning. But Kendrick says that the sudden prolonged drop in education achievement scores, which began in 1967, cannot account for much of the slowdown, simply because new entrants to the work force accounted for such a small share of the total labor force.

However, last March a scholarly study in the *American Economic Review* by John H. Bishop, an economist at Cornell University, in Ithaca, N.Y., suggested Kendrick may be underestimating that effect. In his article, Bishop ascribes only 10 percent of the "unexplained" productivity slowdown from 1973 to 1980 to significant test-score declines beginning in 1967, but he writes that "its major impact on [productivity growth] has come in the 1980s" and has "explained" about 20 percent of that decline. He estimates that as a result of the test-score decline, "the labor-quality shortfall was 1.3 percent in 1980 and 2.9 percent in 1987," and that it is "projected to be 3.6 percent in 1990, 5.5 percent in 2000, and 6.7 percent in 2010."

This means, Bishop concludes, that "the effect of general intellectual achievement (GIA) on wage rates and

productivity is larger than heretofore believed." He notes that "productivity growth and test scores declined almost simultaneously," and he points out that high-school graduates in 1980 "had learned about 1.25 grade-level equivalents less than those who graduated in 1967."

Bishop found that GIA was rising about 5 percent a year in the middle 1960s, and productivity was rising about 3 percent. By 1980, GIA was falling at nearly 6 percent a year, and productivity growth was down to under 0.5 percent a year. The direct economic costs of that lower knowledge (in 1987 dollars) were \$34 billion in 1980 and \$86 billion in 1988, and they would reach an estimated \$334 billion in the year 2010. Says Bishop: "If the forecasted shortfalls in output up to the year 2010 are cumulated, assuming a 3-percent rate of growth of GNP... the total present discounted cost of the test-score decline is \$3.2 trillion."

This might suggest we should be raising education spending even faster than we now are, as a wise investment in the nation's output. But Bishop notes that higher spending for education does not necessarily produce higher test scores. "Prior to 1967, student test scores had been rising steadily for more than 50 years," Bishop says, and if they had continued rising at their former rate, "labor quality would now be 2.9 percent higher." Yet the constant-dollar growth in education spending per student rose substantially faster from 1967 to 1987 (4 percent a year) than it did from 1947 to 1967 (3.3 percent).

So Education Secretary Lauro Cavazos is right in saying that money alone is not the answer and that without more parental choice and consumer accountability within the school system, we are unlikely to get the real education reform that the economy desperately needs.

Xerox Corp. Chairman David Kearns has argued that "the new agenda for school reform must be driven by competition and market discipline.... The objective should be clear from the outset: complete restructuring. The public schools must change if we are to survive."

Unfortunately, last June the delegates to the convention of the National Education Association (NEA) voted overwhelmingly to oppose all significant parental-choice programs or any competition among schools, saying, "Federal- or state-mandated parental-option plans compromise the NEA's commitment to free, equitable, universal, and quality public education for every student."

It remains to be seen whether there is enough political will and courage to stand up to this education monopoly, particularly in the inner cities and among minorities, from which 40 percent of our future work-force entrants will come over the balance of this century. Our productive and competitive future as a nation clearly depends on it. ■

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COMMENTARY

Congressional Alert

Mandated Health Benefits

One of the most controversial issues facing Congress this year centers on mandated health-care benefits. Proposals introduced in Congress—S. 768 in the Senate and H.R. 1845 in the House—would force all firms, regardless of size, to provide comprehensive health-care coverage to almost all employees and their families.

Currently, 136 million Americans receive health-care coverage through plans voluntarily provided by employers. For those firms that cannot afford to offer comprehensive health-care coverage, the potential financial burden imposed by mandated health insurance is heavy. Many of those firms may be forced to reduce wages or eliminate other benefits that employees prefer. Other companies, especially small and medium-sized businesses, may be forced to lay off workers or go out of business altogether.

A positive alternative that would increase the number of Americans who receive health-care benefits has been

introduced by Sen. Orrin Hatch, R-Utah. Hatch's bill, S. 1274, would expand access to health care by reducing costs through a variety of measures and making it easier for businesses voluntarily to offer health-care coverage.

Contact your senators and representatives. Urge them to oppose mandated health benefits, and ask them to

support alternatives that cut health-care costs yet encourage expansion of voluntary health-care coverage.



PHOTO: © MATTHEW BOROSKI-POLJO INC.

Protections For Disabled Persons

During the 25 years since enactment of the Civil Rights Act of 1964, advances have been made toward the elimination of discrimination on the basis of race, color, sex, religion, and national origin in public accommodations, private-sector employment, and state and local government services. Virtually all businesses have met the requirements of the law, which are well-defined and encourage resolution of disputes out of court.

Proposals to extend the same protections to disabled individuals have been introduced in Congress—S. 933, which was passed in the Senate, and H.R. 2273, which is being considered in the House. Both measures would ban employment discrimination based on disabilities, would require employers to make reasonable accommodation for disabled employees, and also would require that public accommodations be made accessible to the disabled.

While business strongly supports these goals, it is concerned about the wide scope and the vagueness of certain requirements in the bills. Of particular concern is S. 993's public-accommodations provision, which defines public accommodations ambiguously and allows no exemption for small businesses. Lawsuits could be initiated by the attorney general against even those firms that unknowingly engaged in practices that violated the law.

Contact your senators and representatives, and urge them to seek clear and well-defined ways to protect the disabled—ways that avoid unnecessary and costly litigation and also address the legitimate concerns of small businesses.

Mandated Leave

A vote is expected in late fall or early next year in the House of Representatives on legislation that would mandate employee leave policy in connection with family and medical situations.

Current mandated-leave proposals include H.R. 770, which has been approved by three House committees. The bill would require employers to provide employees 15 weeks of unpaid medical leave over a one-year period and 10 weeks of unpaid family leave over a two-year period for birth, adoption, or illness of a child or serious illness of a dependent parent.

Employers with 50 or more workers would be affected by the bill. After three years, the measure's coverage would broaden to cover employers with as few as 35 employees.

A similar bill in the Senate, S. 345, has been approved by the Senate Labor and Human Resources Committee. It would cover employers with as few as 20 employees.

Mandated leave would severely restrict the ability of businesses to develop those benefit packages that they can afford and that their employees prefer.

Mandated leave would allow the government, rather than management, to set personnel policies for private companies. Delegates to the most recent White House Conference on Small Business named opposition to mandated benefits, including mandated leave, as their number two priority.

Contact your representatives and senators and urge them to oppose any mandated-leave legislation. **BB**

Editorials

Employers are in a particularly strong position to combat the sale and use of illegal drugs.

The Most Effective Weapon In The War Against Drugs: The Paycheck

President Bush's declaration of war on illegal drugs covers the full spectrum of strategies for dealing with the scourge that Americans now consider the most serious problem facing their country.

His positive, hard-hitting plan ranges from steps to suppress the growing of coca leaves in remote areas of the Andes Mountains to treatment programs for addicts in America's inner cities.

One of the greatest strengths of the president's approach, however, is the extent to which it places responsibility for illegal drug use on those who sell and use illegal drugs.

The president told the nation: "We are determined to enforce the law, to make our streets and neighborhoods safe. . . . We won't have safe neighborhoods unless we are tough on drug criminals, much tougher than we are now. Sometimes that means tougher penalties, but more often it just means punishment that is sure and swift."

This area of individual accountability is one in which employers can make a greater contribution than any other sector of society to winning the war against drugs.

"The most effective weapon in the war on drugs is the paycheck," says Mark A. de Bernardo, executive director of the Institute for a Drug-Free Workplace. He explains: "Experts tell us that for chronic drug users, the job is the last thing to go. The car is repossessed, the good credit

rating is lost, the marriage breaks up—but the job is preserved. Why? Because drug-abusing employees need their paychecks to support their habits, and they need the workplace as a cover to buy and sell drugs."

Those in the front lines of the drug wars, President Bush said, include "every employer who bans drugs from the workplace."

Every business person not already in the ranks of such employers should join up immediately. A company policy can be stated succinctly: "If you engage in illegal drug use, you don't work here."

That approach is both a contribution to crucial national goals and sound business sense.

Drug abusers cost the economy \$60 billion a year in decreased productivity, and increased accidents, absenteeism, medical claims, and theft from their employers.

Just as an employee chooses to use and continue using illegal drugs, an employer can choose to require a drug-free workplace.

If you would like more information on how to achieve that goal in your own workplace, write to the Institute for a Drug-Free Workplace, 1615 H Street, N.W., Washington, D.C. 20062.

Above all, employers should realize that the contribution they can make to the war against drugs represents the nation's best hope for winning it.



The Real Battles Over Fiscal Policy Are Yet To Begin

The basic federal budget for the fiscal year beginning Oct. 1 was drafted in the final year of the Reagan administration. It was modified in a compromise reached earlier this year by President Bush and the Democratic-controlled Congress.

While the White House and Congress have disagreed on some issues, such as priorities in defense spending, there has not been a repetition of the fundamental fiscal-policy clashes between the executive and legislative branches that marked consideration of annual budgets throughout the Reagan era.

But that does not mean that we have embarked on a period of harmony in federal fiscal policy. To a large degree, this budget represents a holding action. The compromise

gives the new chief executive time to develop his own fiscal policies. It gives congressional leaders breathing space to determine how they are going to address fiscal policy in the post-Reagan era.

President Bush is now well along on the first federal budget that he will submit to Congress in his own right, and that document could well be the catalyst for a historic debate over spending and taxation, particularly the president's pledge not to increase taxes, which was the principal policy theme of his campaign.

The relative calm at the start of this first full fiscal year of the Bush administration should not be interpreted as a signal that the fiscal wars are over.

On the contrary, the real battles are yet to come. **NE**

Free-Spirited Enterprise

Fresh thinking from the frontiers of American commerce.

By Janet Lowenstein

FOR THE PALATE

Water, Water, From Everywhere

Thirsting for a gift for someone special? How about bottled water?

The Water Centre of Edison, N.J., offers "Class in a Glass," a water-of-the-month club. Each month the center will send to you or any water lover of your choice an elegant six-pack of exotic bottled water. Each pack combines domestic and imported, bubbly and still, flavored and straight waters. A one-month membership is \$40; the monthly price drops for longer terms. To quench a thirst, call 1-800-345-5959.



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Coffee, Tea, Or Bug Juice?

Sales of ground coffee will increase over the next decade, *Supermarket Business Magazine* reports. The publication said that trend is just one example of how the rising numbers of older Americans are likely to affect purchases of 364 supermarket products—from adhesive bandages to yogurt (continuing sales boosts for both). *Supermarket Business* says demand for many youth-oriented items, such as nondiet soft drinks, chewing gum, and baby products, will ease. Conversely, sales of items with more appeal to the middle-aged and older will go up. Among them: coffee, tea, diet soft drinks, Vermouth, and English muffins are in. And so are insecticides. Why? Apparently insects bug us more as we grow older.



A Complete Menu

So you want to own a restaurant?

You'll need a strong back, strong legs, healthy feet, and a healthy stomach, say Richard Ware and James Rudnick in *The Restaurant Book* (Facts on File).

You must also be a buyer, receiver, plumber, electrician, carpenter, painter, diplomat, math wizard, bank expert, credit expert, manager, babysitter, people person, and business person, they say. Presumably someone else is the gourmet.

WASH AND WEAR

Time For A Dip

Some watches quit when they're waterlogged. But not Moran's. Its watch won't run if it's *not* wet.

W. Moran and Co. of Kansas City, Mo., says its water watch runs on tap water, sea water, beer, wine—on almost any liquid.

Pour several drops of water—or whatever—over the front of the watch to get it started. Then wet the watch twice a day to keep it running. The liquid powers the cells between the grills at the left side of the watch, the way water powers a car battery.

The water watch is available in black or pink for \$12.95 from Moran's (913/661-1151).



SURVIVAL TACTICS

Battle Lines

Entrepreneurs fighting the daily battles of the marketplace could find useful insights in an Army colonel's informal guidelines for new military officers. Chicago *Tribune* columnist David Evans, an acquaintance of the colonel, offers the tips. Here are some that might strike a familiar chord with business people:

If it's stupid but works, it isn't stupid.

If your attack is going really well, it's an ambush.

No plan survives the first contact intact.

The enemy diversion you



are ignoring is the main attack.

The important things are always simple; the simple things are always hard; the easy way is always mined.

If the enemy is in range, SO ARE YOU.

Anything you do can get you shot, including doing nothing.

Make it too tough for the enemy to get in, and you can't get out.

When both sides are convinced they are about to lose, they are both right.



"These must be the newest government forms. I hear Mr. Rumble in there sobbing."

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